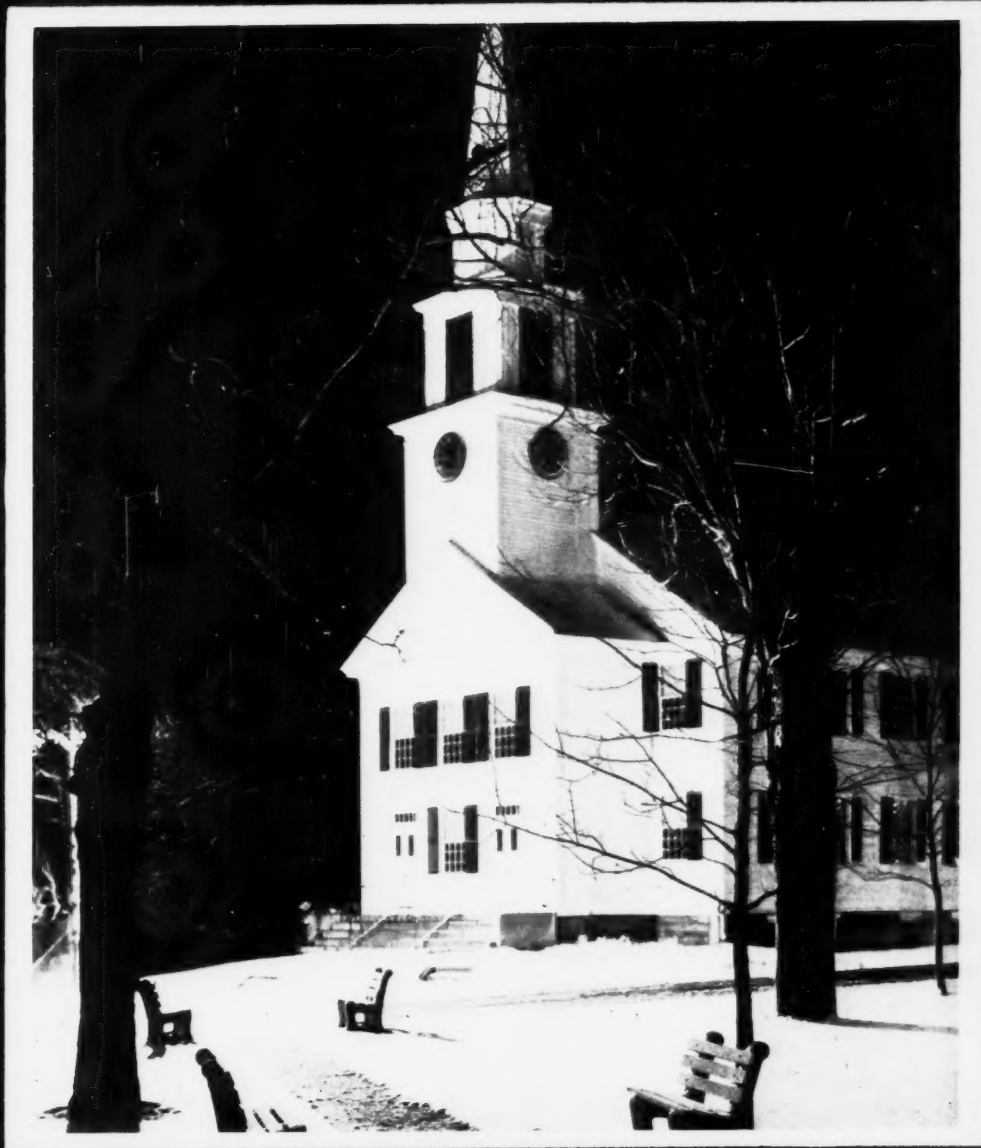


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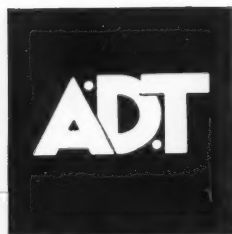
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Linda Burke, Editor

Eight West Fortieth Street, New York 18, N. Y.

We Honor . . .

Central Massachusetts Chapter of the American Society of Insurance Management, Inc., for its valued contributions to the aims and purposes of ASIM.

Although it is one of our newest chapters, it has proven, by its membership and prestige, to be one of the outstanding chapters of the American Society of Insurance Management, Inc.

About the cover . . .

In Central Massachusetts where new industrial plants have given a "new look" to the country-side, the old New England church is a tribute to the faith of the men and women who came here long ago — and trusted in God.

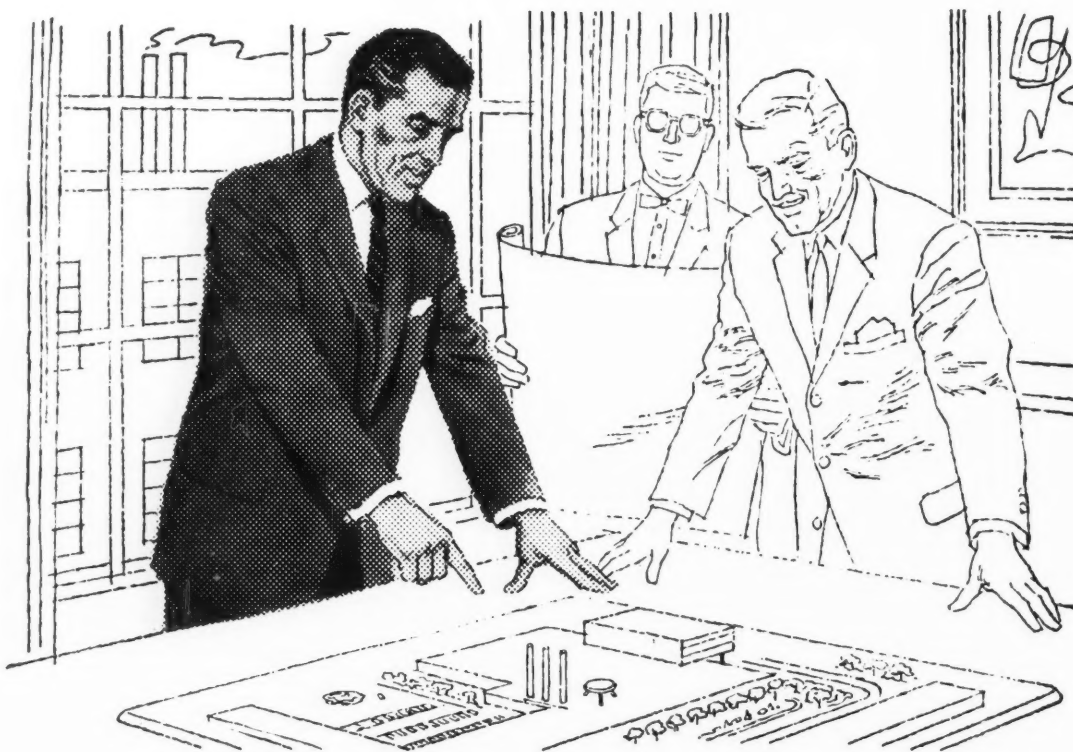
The steeples, white churches which dot the entire New England area are typical sights in this "land-of-contrasts" between the old and the new.

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The National Insurance Buyer, official publication of the American Society of Insurance Management, Inc., does not assume responsibility for the points of view or opinions of its contributors. It does accept responsibility for giving them an opportunity to express such views and opinions in its columns.

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Central Massachussets Chapter, ASIM

While attending the semi-annual meeting of the American Society of Insurance Management Inc. in New York City in May 1956, Richard E. Flagler of Betterley Associates questioned why there was no affiliated chapter in the New England area. This was not an off-hand remark, for Dick had for some time been discussing with various people the value of forming a New England Chapter. Frazier Wilson who was presiding at the meeting was very prompt in replying to Dick, "Why don't you take on the job". Thus, the green light was given to the efforts which finally resulted in the establishment of the Central Massachusetts Chapter.

Since the summer period was obviously not the best time to start work on the project, it was postponed until September of that year. In the fall, things really started to hum. Dick Flagler discussed the subject with Richard Prouty, Secretary and Insurance Manager of the Norton Company, also located in Worcester, and after a series of meetings they developed an "initial contact" list of approximately forty companies. It was decided that this key group should be companies with 1,000 or more employees, companies whose management were known to Messrs. Prouty and Flagler to be interested in sound insurance management. The list, of course, included some members of ASIM in the area who had no chapter affiliation.



AT THE DINNER MEETING OF CENTRAL MASSACHUSETTS CHAPTER ON APRIL 30, 1957 — Standing left to right: William Hurd, Simonds Saw and Steel Company; B. E. Kelley, past president of ASIM; T. V. Murphy, Regional Vice President of ASIM. Seated: Richard Prouty, The Norton Company; Peter A. Burke, Managing Director of ASIM; Richard Flagler of Betterley Associates; and Robert K. Griffith, Riley Stoker Corporation.

ASIM brochures and extra copies of "The National Insurance Buyer" were obtained from Peter Burke and each company was contacted (the majority by personal visit or telephone) to determine if they would be interested in attending a meeting for the purpose of discussing formation of a chapter. Incidentally, it was decided rather early in the development of the initial contact list to confine it geographically to within approximately a 60 mile radius of Worcester.

Contacts with the prospect list indicated there was sufficient interest to justify a meeting and in cooperation with the National office, the meeting was set for April 30, 1957 at the Worcester Club. Invitations were sent out to the initial group of forty companies plus several others subsequently added, and the meeting was attended by 35 persons.

Before the meeting was over, those present voted to form a chapter called Central Massachu-
(More on page 4)

Central Mass.

(From page 3)

setts Chapter of the American Society of Insurance Management, Inc.

Richard Prouty, Insurance Manager of the Norton Company was elected President. Robert K. Griffith, treasurer of Riley Stoker Corporation was elected Treasurer. George M. Betterley of Betterley Associates was elected Secretary.

Elected to the Board of Directors: Harold Keyes, Secretary of Brown and Sharpe Mfg. Co. of Providence, R. I.; William Hurd, Treasurer of Simonds Saw and Steel Co., Fitchburg; Robert E. Lovett, Assistant Treasurer of the Greenfield Tap and Die Corporation, Greenfield; L. E. Murphy, Assistant Treasurer of Wyman-Gordon Co; Gerald J. O'Keefe, Assistant Controller of Package Machinery Co., East Long Meadow.

Guest speakers were T. V. Murphy of Baltimore, Md., Insurance Manager for the Maryland Shipbuilding & Drydock Company; Peter A. Burke, of New York City, Managing Director of the American Society of Insurance Management Inc.; and Burton E. Kelley of New York City, Insurance Manager for the United States Plywood Corporation.

No chapter meetings were held during the summer of 1957, but the directors met on several occasions to plan ahead for the first year of this new chapter. They felt it best to start off with a meeting every other month in accordance with the wishes of the majority of attending the organizational meeting. Later, it was felt decision could be made easily to adopt a monthly schedule.

The membership of the chapter is comprised largely of men who do not devote 100% of their time to corporate insurance management.

Manufacturing firms predominate but there is also representation from financial and commercial companies. Almost 50% of the present membership are located outside of the greater Worcester area and some of the most regular attenders come from Providence, Rhode Island and Springfield, Massachusetts, forty-five miles away. Location of the meetings have been varied to accommodate members and prospective members in the different geographical areas.

Programs have been designed primarily around outside speakers representing different facets of the insurance industry — educational, underwriting, and loss prevention. The mailing list is constantly being added to with likely prospective members and it is anticipated that several new companies will be added to the membership during the 1958—1959 year. Attendance of meetings has averaged 25 to 30.

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Supervision of Employee Welfare Funds

by
Honorable Paul J. Rogan,
Insurance Commissioner of Wisconsin

Before going into a discussion of the Wisconsin legislation, Chapter 552 of the Laws of 1957, imposing upon the commissioner of insurance the duty of supervising employee welfare funds, we would like to very briefly review the background of this type of legislation.

It is rather generally assumed that the revelations in recent months of improper conduct on the part of some important figures in labor union affairs were almost entirely responsible for the move to enact such legislation. No one will question the fact that this situation made it crystal clear that unless decisive measures were taken promptly, tremendous losses were likely to occur. The dangers in the unsupervised operations of funds involving total assets of billions of dollars had been known for several years and had come to public attention quite forcefully three or four years ago. Allegations of improper practices in insuring benefits under a welfare fund were made before a congressional committee in March, 1953.

A large part of the employee welfare benefits are insured under group annuities and group life policies. In the ten years between the end of 1946 and the end of 1956, the annual income provided under group annuities issued by life insurance companies rose from \$318,000,000 to \$1,341,000,000 or 422% and group life insurance in force increased from \$27,206,000,000 to \$117,324,000,000 or 431%. These figures indicate the increasing importance of insured welfare plans in our economic picture. The reserves on the insured pensions alone were over \$12-1/4 billion dollars at the end of 1956. Such plans insured in life insurance companies covered almost 4-1/2 million people. Adding those covered by uninsured plans brought the total number of persons covered by some type of pension programs to about 14 million, nearly one-fourth of our wage earners in occupations other than agriculture.

There were at least 15,400,00 workers covered under one or more hospital-surgical-medical plans written by life insurance companies at the end of 1956. Including plans insured in casualty companies and those not insured, and taking into account the coverage extended to members of the workers' families, we find that the number of individuals covered was probably close

to 75 million.

Employer payments for all types of employee welfare plans are estimated at about 7 billion dollars per year. Reserves held to protect such benefits are believed to be in excess of 25 billion dollars.

You are undoubtedly familiar with the principal reasons for this rapid growth in "fringe benefits." The federal tax program has the effect of taking less of the dollar of economic production used to furnish retirement benefits to employees through a plan whereby the employer pays for the coverage than would be the case if the employee received an increase in wages and purchased his own annuity. Another factor is the greater consideration given to the need for retirement benefits. Social security with its inadequate benefits and the increasing percentage of our population at or nearing retirement age have focused attention on the retirement problems. A change in the attitude toward providing the whole family unit has been important in developing pressure for group life insurance and for various forms of disability insurance. The movement of individuals from rural areas to larger centers of population make it necessary that provision be made for the higher costs of sickness and living ex-

(More on page 40)

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Tomorrow's accident is not inevitable *if* preventive measures are taken today. This is especially true of boilers and machinery, where an accident may be "in the making" for some time.

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Before the policy is issued, Engineering develops information which enables the Agent to suggest the best possible protection.

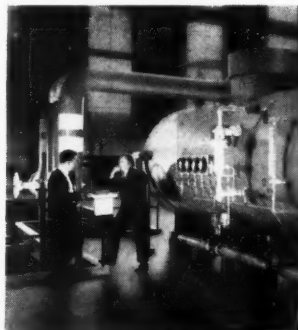
During the life of the policy, Engineering inspections search for signs of faulty conditions. Today, there are more than 600 H.S.B. skilled Field Inspectors in all parts of the country, inspecting power equipment insured by this Company. They outline remedial action to *keep power alive* and prolong the useful life of equipment.

After an accident, if one should occur despite all preventive efforts, Engineering looks for the cause and the remedy. H.S.B. representatives render on-the-spot service to settle claims promptly and speed the work of rehabilitation.

Hartford Steam Boiler has specialized in Engineering Insurance for 92 years and maintains a nationwide engineering organization to give you the "plus values" to be had in this exacting line of power equipment protection. There's a skilled representative near you, offering full benefits from Hartford Steam Boiler's services — B D A.

A phone call to your own Agent or Broker today may give you peace of mind tomorrow!

Your H.S.B. Engineering Insurance can be tailored to meet your needs.

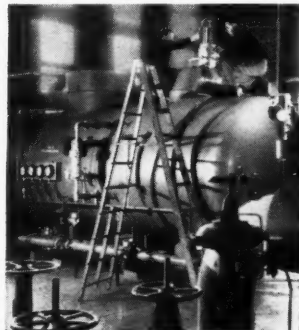


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Remember, **INSPECTION** is our middle name



H.S.B. Field Inspection services guard against accident to keep power alive.

keep power alive

how to determine the correct amount of Fidelity Coverage

by
Peter A. Zimmerman
Assistant Secretary
The Surety Association of America

The Surety Association of America is a voluntary membership organization comprising a group of 80 insurance companies writing Fidelity, Surety and Forgery Bonds. The Association establishes rates and rules for these forms of coverage and acts for its members in having these rates and forms approved by all Insurance Departments. A rate manual is published by the Association. Our services and facilities are used also by 30 or more subscriber companies writing these forms of coverage. Among its other activities the Association from time to time publishes booklets on various phases and topics relating to the field of corporate suretyship.

Years ago, our office, through the collaboration of its member companies, compiled a list of so-called excess fidelity losses. These were actual cases on which fidelity coverage was carried but where the amount of loss exceeded the amount of coverage. The list was very imposing and was dressed-up by printing the excess uninsured loss figures in red ink. In those days, the existence of such a situation was attributed to the lack of proper blanket bond coverage. It was felt the surety industry had not sufficiently publicized the availability of Blanket Fidelity Bonds and many Insureds were still carrying the old fashioned Individual Fidelity Bond or Fi-



Peter A. Zimmerman

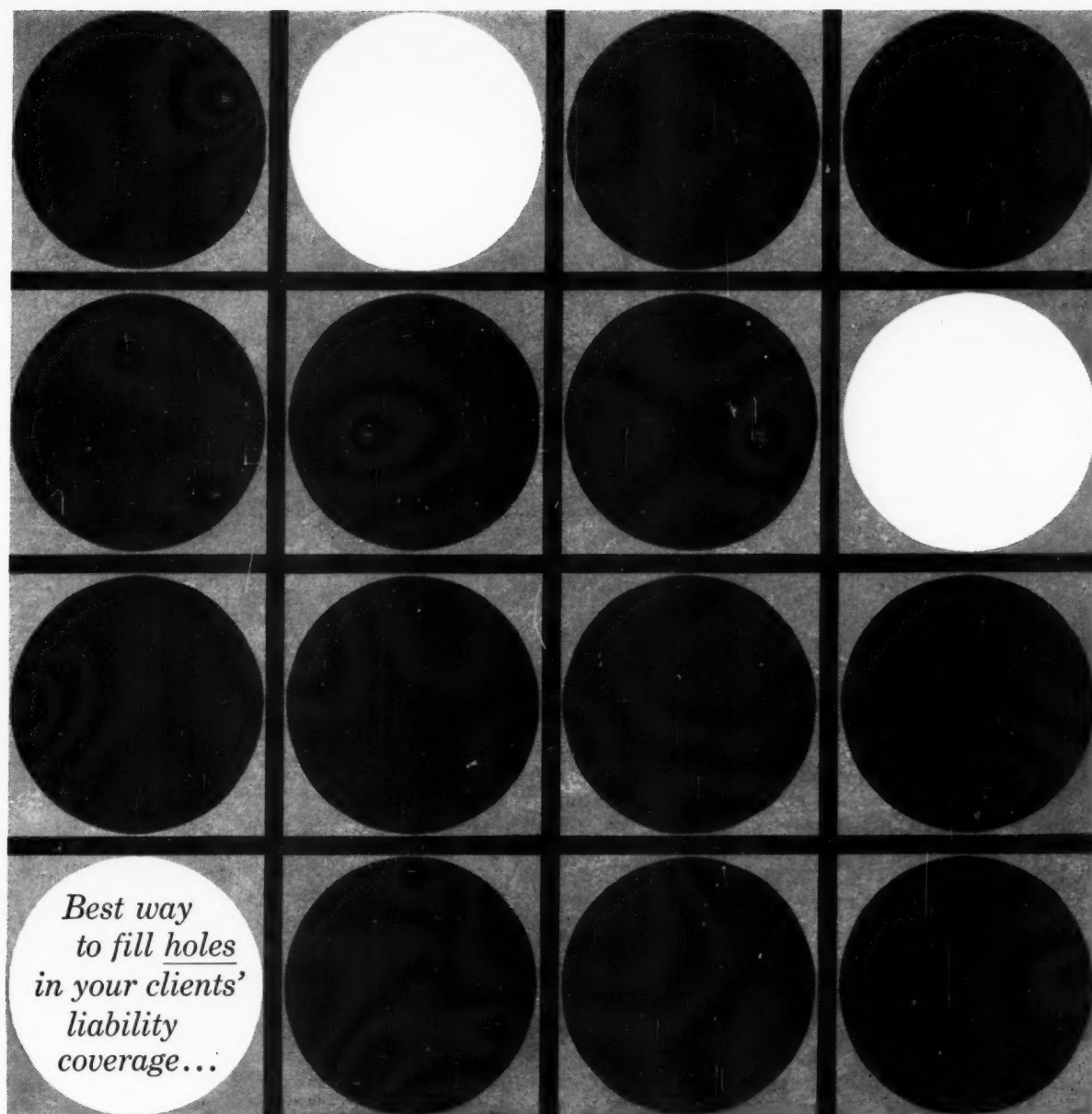
delity Schedule Bond coverages which did not adequately protect them. A lot of water has passed under the bridge since then. Blanket Fidelity coverage is now better known, there is a greater variety of such coverage, it is broader in form and available at lower rates than ever before in the history of corporate suretyship. Yet we are still confronted with the same problem of the un-insured loss. Perhaps now it is not a completely un-insured loss but still the amount of coverage is inadequate for full protection. This despite the fact that in the intervening years

much advertising and educational work has been done by surety companies, surety agents and insurance brokers individually and collectively, through their respective company associations and agents associations and by other interested groups such as accountants organizations and credit and financial management groups.

While the specter of the uninsured or excess fidelity loss is still with us, it may not be entirely the fault of the industry itself. You will all recall the concerted drive that was conducted in nearly all fields of insurance to acquaint Insureds with the necessity of increasing their existing amounts of insurance, insuring to value, etc., brought about chiefly by the increased cost of replacement and the generally higher level of values and prices. This in itself is an indication that even where other forms of coverage were involved there was always the problem of under-insurance and continuing attempts were being made to correct the situation.

We have had the feeling that our efforts are not meeting with success or at least are succeeding too slowly. Investigation showed that certain underwriters had long ago attempted to devise a method or formula that would demonstrate to an Insured the inadequacy of his Fidelity Bond coverage.

(More on page 36)



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PLANNING A BOILER & MACHINERY PROGRAM for a PLANT

by

Bromley DeMeritt
Vice President

**The Hartford Steam Boiler Inspection
and Insurance Company**
(New York City Office)



Bromley DeMeritt

About the Author

Bromley DeMeritt was graduated from Yale University in 1931. He joined the agency staff of Harvard Steam Boiler Inspection & Insurance Company in 1937. After ex-

perience as Special Agent in and Manager of his company's St. Louis Office, he spent several years as Superintendent of Agencies working out of the Hartford Home Office.

From Manager of his Company's Boston Office, in which city he was President of the Casualty Manager's Association, he came in 1952 to head up the New York Office of Hartford Steam Boiler and was made Vice President of the company in 1955.

His wide experience in underwriting Boiler and Machinery insurance from a buyer's standpoint and responsibility for service of many of the large nationwide programs of this type give him much practical background in this specialized field of insurance.

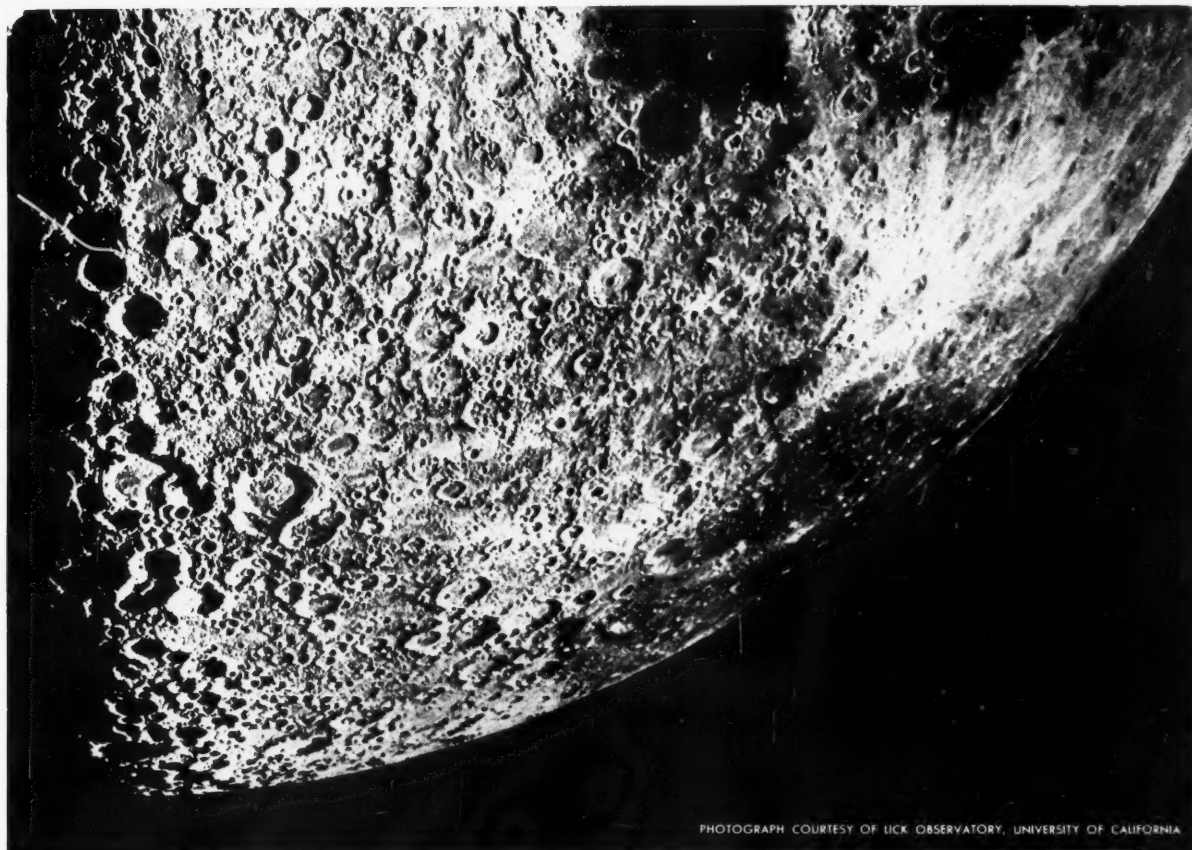
In designing a Boiler and Machinery insurance program for a concern, the aim should be to provide protection tailored to fit closely the concern's specific needs at as reasonable a cost as possible. This can be done by taking advantage of the great flexibility and variety of coverages now available.

There are a few concerns nationwide whose Boiler and Machinery insurance develops extremely large premiums. Coverage for such concerns has been refined and broadened over a period of years to a point where, with very high per-loss deductibles, coverage can be especially tailor-made and individual choice of coverages or objects to be insured is no longer necessary.

I assume that each of you would require assistance on your own problem from someone who is a specialist in Boiler and Machinery insurance to survey this new plant

and give underwriting advice. This person may be a representative of your Boiler insurance company or he may be a specially trained member of your broker's organization.

Before asking that person to survey the plant and work out preliminary proposals for coverage, it is most important that he have a thorough understanding of the basic, broad framework of your present program. Perhaps this plant will fit into it. Or perhaps a new framework will have to be worked out if this new plant is to operate separately or is owned by a subsidiary company whose insurance needs are different and have to remain so. By basic framework I mean, for example, the size of the deductible to be used, that is, the amount of the first loss which you stand both for Direct Damage and Indirect coverages such as Business Interruption and Consequence. (More on page 45)



PHOTOGRAPH COURTESY OF LICK OBSERVATORY, UNIVERSITY OF CALIFORNIA

OPERATION MOON

\$50,000 for the first space flight to the moon and back. That was the offer made a few years ago by a mid-western newspaper—one on which we quoted a rate against the possibility of a winner. Undoubtedly a newspaper publicity stunt then, but today there are no "tongue-in-cheek" offers. Scientists in perhaps a hundred laboratories throughout the world are actively seeking the means of propelling rockets and space ships into outer space. At any time there may be a major aeronautic breakthrough which will one day permit man to visit the planets—possibly even the stars.

It seems quite within the realm of possibility that in the not too distant future, Chubb & Son which has insured clippers, ocean greyhounds and stratocruisers may have lines on craft headed for Mars.

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Use & Occupancy Insurance

by
G. H. Finlay
of

Alexander & Alexander, Inc.
Baltimore, Maryland



G. H. Finlay

Perhaps the names applied to the coverage — Use and Occupancy Insurance and Business Interruption Insurance — have tended to inject the element of mystery with which the coverage is so often regarded. Actually, it is nothing but another form of fire insurance covering earnings instead of property. It is said that fire property damage insurance is commonly carried by 90% of the businesses of the country, and yet it is reported that less than 25% of these same businesses carry insurance to protect their earning power. Other statistics show that 43% of the business properties destroyed by fire never reopen. This is a clear demonstration of the absence or inadequacy of the right kind of fire insurance, that is, fire insurance on the earning power of the property damaged or destroyed.

The life insurance companies

have been pushing a program of "insurance for the living." Since U & O insurance allows a business to continue to live when its normal method of earning power has been interrupted, perhaps we should consider U & O insurance as a form of "living insurance for business." There is no relationship between dollars required to replace or repair damaged property and the dollars that have to be expended for all kinds of business costs which continue during the interruption period. Witness a drug plant with \$100,000 fire property damage loss and a \$1,150,000 loss of earnings during the period of repair; a glass plant with property damage of \$2,100 and an earnings loss of \$40,000; a chemical plant property damage loss of \$500,000 and an equal loss of earnings; a steel plant with \$37,000 property damage loss and \$436,000 U & O loss; another steel plant with explosion property damage of \$87,000 and U & O loss of \$676,000; and listen to this one, a metal worker with \$103 fire damage and earnings loss of \$11,000.

It is the purpose of U & O insurance to pay a business the expenses that continue and the profit that is lost during an insured interruption providing, of course, that the business itself would have earned these expenses and the profit had it continued to operate. U & O normally accomplishes this through the use of one or the other of two commonly known standard

insurance forms; the two-item contribution form and the gross earnings forms. Essentially, the real difference between the two forms is that under the two-item contribution form, ordinary payroll is covered under a separate item of insurance so that the buyer can elect whether to insure this ordinary payroll for a period of 90 days or more; whereas, under the gross earnings form all payroll must be insured for the full annual amount. In the event of a shortage of insurance under the two-item form, insurance on payroll is earmarked for payroll and cannot be used to make up a deficiency in the coverage of Item 1 on continuing charges and profit. Under the gross earnings form every dollar not claimed for ordinary payroll is available for payment of continuing costs and profit. It must be remembered that when these insurance forms were developed years ago the question of ordinary payroll was a relatively simple one. Men were laid off when the plant shut down and that expense stopped. Today with the numerous forms of fringe benefits and union labor agreements, the whole ordinary payroll question is entirely different and one that should be carefully analyzed especially if there are wage continuation contracts involved.

Practically any business in its normal operation has minor periods of interruption from one cause or another and the business is geared

(More on page 30)



Insurance man with a fractionating column?

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Here, a Kemper Industrial Hygienist is busy in Kemper's modern laboratory—analyzing a sample of a solvent to be used in manufacturing. The fractionating column separates a solvent into its component parts, so that its composition can be evaluated to determine any hazards to employees or property which might result from its use.

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To find out how you may save on your insurance, call your broker or a representative of a Kemper company, or write to Kemper Insurance, Dept. 103, Chicago 40, Illinois, for the name of your nearest representative.

The 120th annual statement of the American Manufacturers Mutual Insurance Company, one of the Kemper companies, has just been published. We will be happy to send you a copy, on request.

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Ed Stokley, Director of ASIM, Is Appointed to the Advisory Council to the Industrial Accident Board, Texas



Ed Stokley, a Director of the American Society of Insurance Management, Inc., and Supervisor of Insurance for the Texas Division of the Dow Chemical Company, was named a member of the 12-man Advisory Council to the Industrial Accident Board. He is past president of Houston Area Insurance

Buyers Association.

The council members will assist the State Board in studying problems in the administration of Texas Workmen's Compensation Laws. H. C. Pittman is chairman of the Industrial Accident Board, which is located in Austin.

Others named to the Advisory Council included Jerry Holleman, President of the Texas State AFL-CIO, Austin; Houston Clinton, Austin attorney; Fred Schmidt, secretary-treasurer Texas State AFL-CIO, Austin; Harry Carroll, International Brotherhood, Painters, Decorators and Paperhangers, San Antonio; Ed C. Burris, executive vice president, Texas Manufacturers Association, Houston; Frank C. Bolton, Jr., general attorney, Magnolia Petroleum Company, Dallas; Scott Sayers, personnel director, Texas Foundries, Inc., Lufkin.

Also, Warner Brock, president Texas Association of Plaintiff At-

torneys, Houston; Callan Graham, executive vice president, Texas Good Roads Association, Austin; Robert T. Donahue, Austin attorney, and Walton O. Head, Dallas insurance executive, were named to the Advisory Council.

In announcing the appointment of the Advisory Council, Mr. Pittman said:

"The unprecedented growth of Texas Industry has more than doubled the number of employer subscribers before the Industrial Accident Board within the last 10 years.

"Last year there were 229,900 on-the-job accidents reported, with 64,014 claims for compensation heard or settled under the jurisdiction of the IAB.

"The 55th Legislature established the Workmen's Compensation Fund which will be available beginning in January, 1959, to be used in improving the administration of our Workmen's Compensation Laws.

"We are extremely proud to have men of the experience of those who have accepted appointments on our Advisory Council to work with us in studying problems that exist, and in planning for the future."

Chicago Chapter ASIM Elects Blakley President

The Chicago Chapter of the American Society of Insurance Management has elected the following officers for 1958:

President, Richard E. Blakley, Helene Curtis Industries.

Vice President, E. R. Zimmerman, American Bakeries Co.

Treasurer, Geoffrey J. Burns, Continental Illinois National Bank and Trust Co., of Chicago.

Secretary, Ann Auerbach, Goldblatt Brothers, Inc.

Newly elected board members are: Frank O'Shaughnessy, Container Corporation of America; P. B. Gehrke, Joslyn Mfg. & Supply Corp.; R. B. Wiltse, Automatic Electric Company.

ASIM Welcomes New Members

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Cincinnati Area Insurance Managers

R K. LeBlond Machine Tool Company

Chicago Chapter

Calumet & Hecla, Inc.
National Cylinder Gas Company

Maryland Chapter

Catalyst Research Corporation

Minnesota Chapter

Josten Manufacturing Company

Montreal Insurance Buyers Association

Canadian Salt Co., Ltd.
Molsons Brewery Limited
Shawinigan Chemicals Limited
Thor Mills Limited

New York Chapter

General Dynamis Corporation
Sun Chemical Corporation

Southern California Chapter

Blue Diamond Corporation

Massachusetts

C. H. Sprague & Son Company

Missouri

Anheuser-Busch, Inc.

New Jersey

Merck & Company Inc.

Ohio

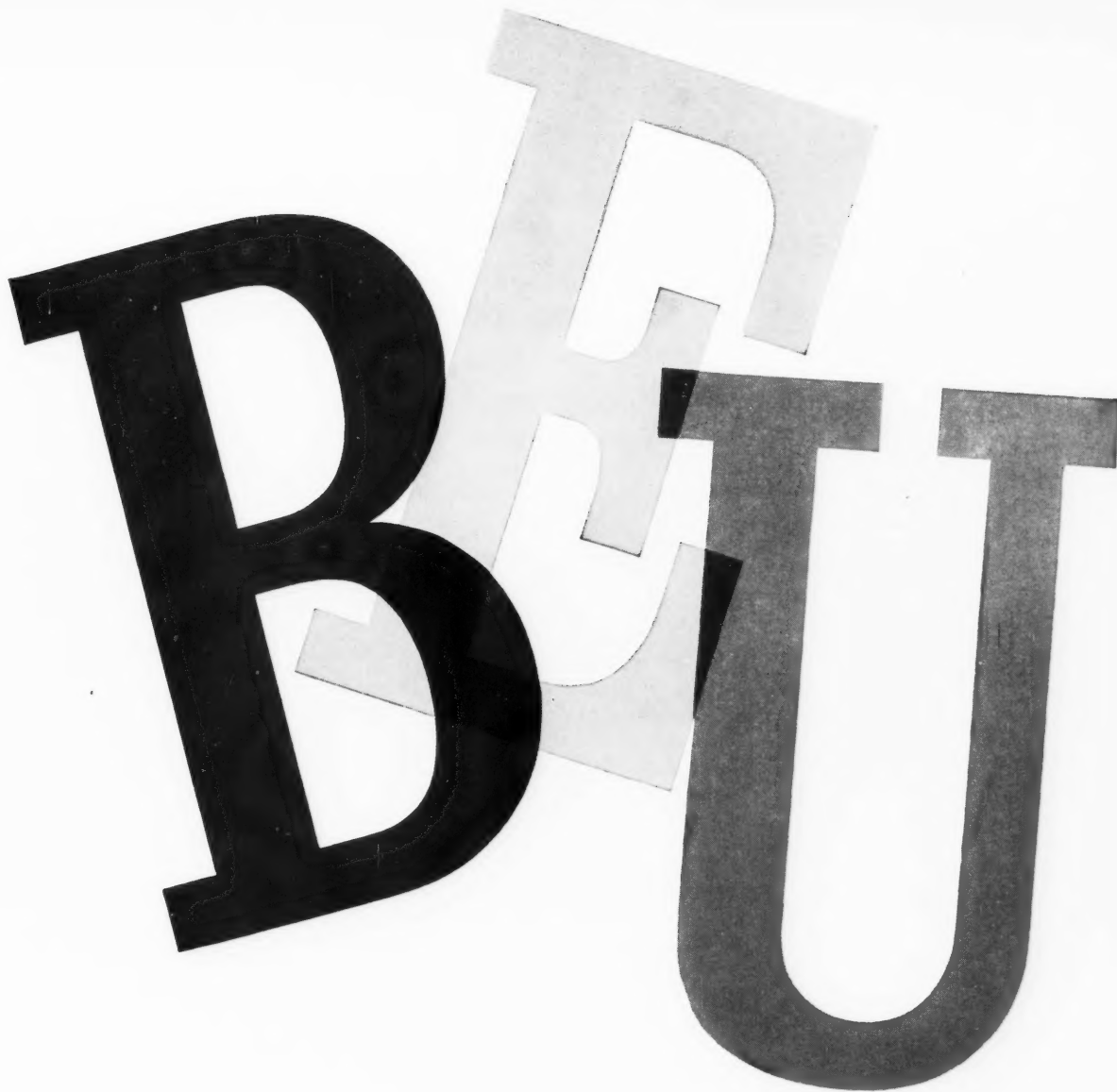
Carling Brewing Company
The Goodyear Tire & Rubber Company

Pennsylvania

Koppers Company, Incorporated
Pittsburgh Plate Glass Company

Virginia

Pocahontas Fuel Company



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Liability Insurance . . .

from the broker's viewpoint

by

Laurence K. Gould

Vice President

Johnson & Higgins of California



Laurence K. Gould

Laurence K. Gould was born in Los Angeles, California, June 22, 1911. Educated in the local schools and graduated from The California Institute of Technology in 1933.

He has been in the insurance business continuously since 1936, starting as a Fire Prevention Engineer with the Board of Fire Underwriters.

Mr. Gould has been in the brokerage field since 1938 and joined Johnson & Higgins in 1947, with the present position as Vice President in charge of the Casualty Operations in the Los Angeles Office.

The first liability policy was introduced in this country in 1886 in the form of an Employer's Liability Policy. This arose out of the need of employers to protect themselves from claims of employees long before the advent of Workmen's Compensation Laws. Not long thereafter coverage was introduced to protect employers from claims brought by the general public. Later on separate policies were designed to cover special needs, such as merchants, manufacturers, contractors, elevators, products, teams, contractual, automobiles, etc., etc. —but always a separate policy to cover each hazard.

It was not until some 20 years ago that someone finally conceived the idea of covering an entire liability risk in one Contract, which has developed into the Comprehensive General Liability Policy we are all familiar with today. We might say this was one of the first package policies — and perhaps one of the finest. No longer is it necessary to write a dozen separate policies covering each separate hazard — but perhaps never covering the entire risk.

Comprehensive General Liability

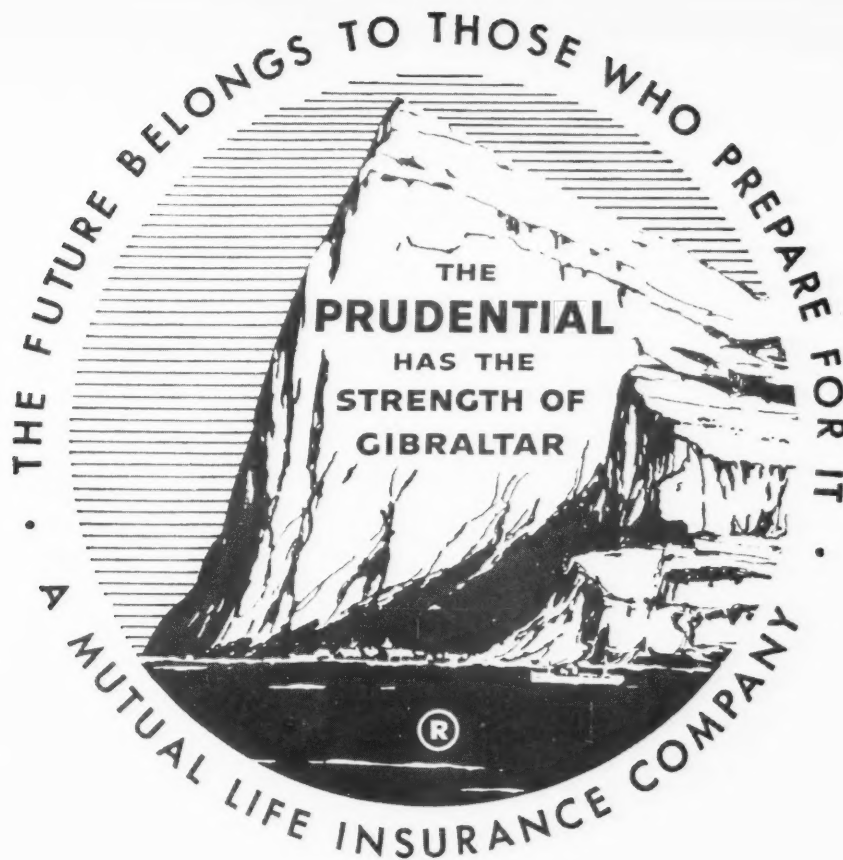
We cannot afford to be lulled into a complete sense of security under the Comprehensive General Liability Policy without first care-

fully examining its limitations.

FIRST, we must understand that this policy only contains two basic insuring agreements: one for Bodily Injury, Sickness or Disease, including death at any time resulting therefrom, and the other for injury to or destruction of Property, including the loss of use thereof, *caused by accident*. Many other liabilities may be created that are never covered under this policy — such as liabilities arising out of breach of contracts, intentional or criminal acts, or simply failure of one to pay last month's alimony. But always remember the basic Insuring Agreements only cover two types of claims: Bodily Injury or Property Damage.

SECOND, we must also recognize this policy is not an unlimited contract. One of its most important provisions is the limit of the Underwriter's liability as set forth in the policy declarations. Many policyholders are rudely awakened to this fact for the first time after being sued for damages amounting to several times the policy limits. Watch also for different limits of liability on each category of coverage or the possible exclusion of one coverage, such as Products Liability, simply because no limit is shown in the policy declarations.

THIRD, the standard policy is
(More on page 28)



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Liability Insurance . . . from the attorney's viewpoint

by

Gordon H. Snow

Vice President and General Counsel
Pacific Indemnity Company
Los Angeles, California



Gordon H. Snow

We in the insurance business feel we have certain duties of a quasi-public nature as a consequence of our participation in an industry so closely touching and concerning the lives of almost every human being in this great country of ours.

Some of these things are in whole or in part our responsibility and command our diligent attention even though our control over them may in fact be so slight as to make action relating thereto almost ineffectual. Other matters require that we do little if any more than call attention to them, for any action which may be indicated is a matter of public consideration rather than for solution by any partisan group.

Gordon H. Snow was born in Chicago in 1907. He attended the University of Wisconsin (Ph.B.), San Francisco Law School and Golden Gate College of Law (LL.B.). He was associated with Hardware Mutuals Casualty Company, serving in various positions from claims manager to assistant manager, from 1930 to 1943. He practiced law in San Francisco from 1943 to 1948, when he became associated with Pacific Indemnity Company, Los Angeles, where he serves as Vice President and General Counsel.

Memberships:

*American Bar Association, member of Insurance Section Committee;
California State Bar Association;
Los Angeles and San Francisco Bar Associations;
National Association of Insurance Counsel, Member of Executive Committee;
California State Chamber of Commerce, Member of Workmen's Compensation Committee;
National Automobile Theft Bureau, Pacific Coast Division, Member of Governing Committee;
Insurance Companies' Coordinating Committee, Pacific Coast, Chairman.*

INFLATION

Inflation is a factor which we must consider and which requires careful, deliberate conclusions as to its influence on the liability exposure picture if we are to avoid hysteria and an ultimate misguided approach to this problem.

We must recognize it as being an insidious, creeping malignant force which concerns the lives of all of us. We must recognize that in time it will prove perhaps the greatest threat to our way of life and—if you will forgive the prognostications of one not an expert economist—that it is an anomaly which is here to stay, unless America's enormous influence on world-wide economic and money matters with the aid of our most able statesmen and economists can induce a "rolling re-adjustment" which will create something less than the slow burning destructive forces of inflation and something more than the devastating misery of depression with ultimate national or international financial collapse.

We have seen such forces at work during our lifetime in France, Germany, China, and other countries. We are presently seeing Britain's struggle for existence even under the guidance of some of the most able economists of our time. We know that the forces of inflation are by no means local in nature but

(More on page 22)

EXPERIENCE...



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Virginia-Carolina Chapter Arranges Unique Meetings

The Virginia-Carolina Chapter ASIM at a meeting held in the Chamberlin Hotel, Old Point Comfort, Virginia, on January 21, 1958, devoted its afternoon session to a tour of the Air Defense Center at nearby Langley Air Force Base. The tour of facilities commenced in the 48th Fighter Interceptor Squadron's briefing room. Lt. Col. Hirman G. Turner, Jr., commander of the 48th was host and explained

the mission of the unit and its connection with the defense of the nation. Following this briefing, the members of the chapter were escorted on a tour of the hangar area, the alert crew quarters, ground training buildings and the F-102 "Delta Dagger" which are used by the squadron. All members were assured that the air arm of today is standing by as a "protection against hostile and warlike action".

The chapter holds regular bi-monthly meetings in a community within the territory of the chapter. There have been three all-day meetings held in Richmond, Charlotte and recently in Newport News. The morning sessions consisted of a planned program dealing with some phase of insurance and the afternoon sessions were devoted to a tour of a point of interest in the locality where the meeting was being held.

In Richmond, a tour of the facilities of an insurance company's regional office was arranged; in Charlotte, a tour of a local radio and television studio and recently the tour of the Air Defense Command's 48th Fighter Interceptor Squadron located at Langley Air Force Base near Newport News, Virginia.

A. J. Haberer of Cincinnati Elected President of Chapter

The Board of Directors of the Cincinnati Area Insurance Managers, a chapter of the American Society of Insurance Management, Inc. elected Mr. A. J. Haberer of the Procter & Gamble Company, president of the chapter to succeed Mr. S. B. Adamson who resigned because of the extra duties he has assumed as Insurance Manager for the U. S. Lithograph & Printing Company.

Mr. Haberer, who was vice-president of the chapter, is succeeded by Mr. R. T. Hoeweler of Acme-Newport Steel Corporation.



Gaither T. Newman of Smith-Douglas Company, Norfolk, Virginia, Bernard Skydaneck of Reynolds Metals, Richmond, Virginia; Lt. Col. Hirman G. Turner, Jr., Commander of the 48th Fighter Interceptor Squadron, Langley Air Force Base, Virginia, and Tom R. Fulghum, Public Relations Department of Virginia Electric and Power Company (left to right) pose with a "Delta Dagger" F-102, used by the Air Defense Unit at Langley.

The honest error that led to a \$40,000 crime!

To err is human and it also can be expensive, as one manufacturer recently found out.

The manufacturer dealt with two suppliers of identical name, at different street addresses in the same city. A secretary misaddressed and sent to one supplier several checks that should have gone to the other. The supplier not entitled to the money fraudulently endorsed the checks and spent the funds. So when the error was discovered, the manufacturer couldn't get his money back. But he didn't lose a dime because he was insured against such crime loss with Mr. Friendly's Company—American Mutual.

While this was an unusual case, it is the unexpected that costs American business \$500,000,000 yearly—according to the American Institute of Accountants. So it's wise to play it safe. Let an American Mutual Representative give you complete facts and figures on the new low-cost Manufacturer's Blanket Crime Policy. Written with a large, single amount of insurance across the board, the policy covers all employees, all locations. Or for a free booklet that gives all the facts about this new crime coverage, write today to: American Mutual Liability Insurance Company, Dept. NB-2, 142 Berkeley St., Boston 16, Mass.



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Mr. Friendly in American Mutual's trademark symbolizes the spirit of cooperation and service typical of all American Mutual Representatives.

Liability Insurance — attorney
(From page 18)

that they exist in practically all economies and markets throughout the world; and best informed sources seem to agree that a reversal of this situation must be attempted on an international basis, if escape from its all-consuming forces is to be realized.

It would be grossly presumptuous to suggest a remedy for this situation even though one occurred to me—which it has not—but I feel emphasis on the matter of inflation is of prime consideration because no other single influence has done more to reduce the purchasing power of your insurance dollar.

The \$1,250.00 broken arm case is as extinct as the 5-cent cigar. Gone, too, is the \$2,000.00 broken leg case, as is gone the 5-cent loaf of bread, the 5-cent bus fare, and the \$3.00 doctor's office call.

This influence on claim cost, however, is within the realm of reasonable anticipation to a degree, in light of general economic conditions; notwithstanding the attitude of many people in our industry that any increase in claim and administration expense, and consequently insurance cost, is attributable to poor underwriting, unsound claims practices, or generally poor management on the part of the companies.

We must be realistic about this situation. The dollar cost of settlement of claims for loss of life and suffering is naturally greater today just as the dollar of today buys less of everything, and in consequence it buys less insurance. You as insurance buyers must reconcile yourselves to the fact that developing experience will precipitate further increases in insurance costs. Your companies can do no more than report this trend to you.

LEGISLATION

Other factors tending to introduce instability into the determi-

nation of value of bodily injury cases is the increasing tendency on the part of our legislators to broaden benefits on every front by introducing new laws to accomplish that objective.

Laws are made by the people through their legislative representatives. Courts are charged with the responsibility of interpreting and enforcing those laws. However, there has been an increasing tendency on the part of trial judges and appellate judges alike to distort the intent expressed by our statutes to accomplish what they feel should be the end result. This social reform which has commonly become known as judicial legislation has introduced into our pattern of social relations a greatly expanded quantum of legal liability on the part of all of us.

MODERN AUTOMOBILES

There is growing concern in the industry over the apparent increase in claims cost substantially disproportionate to the inflation reflected in other commodities and services.

This situation is the result of a number of things. Overcrowded highways—themselves often poorly designed—with mechanically defective automobiles, and high-powered modern automobiles made available to all types of drivers therein pickup, speed and power have often over-emphasized by motor car manufacturers and distributors, as a result of which more than 40,000 persons forfeited their lives on our highways in 1956, as well as the one and a half million persons who survived but who are horribly maimed, disfigured, or incapacitated. All of this resulting in money loss approaching \$5,000,000,000.

It is elementary that accident prevention is the keynote to this problem, and this is your business and mine. More troublesome, however, is the matter of providing an adequate remedy for all this human misery and suffering.

JURY TRENDS

With the influence of clever and artful attorneys, juries have been induced to render greater and greater awards to people whose injuries, both real and imaginary, grow worse daily as the exposure in our present economy becomes greater. Ten years ago, a verdict of a quarter million dollars in a personal injury case was almost unknown. Today I have a personal knowledge of cases which can be counted on the fingers of both hands in California alone where the verdicts have reached or exceeded a quarter of a million dollars in a single personal injury case.

Recently, a 9-year-old boy was awarded \$750,000 by a jury in the city of Chicago for the loss of both legs and other injuries in an explosion and fire. A \$400,000 offer by defendant to settle before trial was rejected. Just what did this single case cost the insuring public? First, we must consider that the claim-paying power of the insurance dollar is something between 50¢ and 60¢ and that, therefore, almost a million and a half dollars in premium had to be collected from somebody to pay this loss. To look at it another way, it would require the total premium paid by 20,000 motorists for basic bodily injury limits to pay this single loss. The cars of these motorists, if stood bumper to bumper, would form a line eighty miles long. To look at it still another light, it would require the plaintiff in this case to earn more than \$7,500,000 to have available in any one year \$750,000 tax free.

It is not for the insurance industry to assume a position as to whether this award is adequate or otherwise for I suppose if any case is worth this kind of money, this might well be such a case, but certainly this kind of "reimbursement" should be subject to close scrutiny by those of us who are

(More on page 24)



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Liability Insurance — attorney
(From page 22)

called upon to protect the public from injury and damage because of the negligent acts of the rest of us. In any event, there is a prime duty on the part of the insurance industry to acquaint you with such developments as they play an important part in exposure and insurance costs, but it is your duty as citizens to decide whether this sort of remedy is what you want.

Juries today are taking their responsibilities far more seriously than they did as little as five years ago. Present-day juries are faced with tremendous problems for they are brought face to face with the task of awarding what, in good conscience they feel is fair and adequate, and must still not lose sight of the dignity of the American dollar. The problem of jury verdicts is a responsibility of the citizen when he is called upon to serve as a juror.

FICTITIOUS CLAIMS

Just how much of the insurance dollar is dissipated on groundless, false, frivolous and fraudulent claims cannot be accurately determined but we do know it is substantial.

It is the responsibility of the carrier to meet this problem head-on and to block recoveries emanating from this source as far as is possible. Our results in this effort are not entirely ungratifying, notwithstanding the fact that the most difficult problem in claims administration is the attempt to sift the legitimate from the illegitimate and the meritorious from the unmeritorious. Often, however, we know of the existence of a false and fraudulent claim but find ourselves unable to offer up overwhelming and convincing proof sufficient to demonstrate this fact to a jury.

Not long ago, a Miami, Florida, lawyer prepared a brief in support of the appeal of a case to the

Supreme Court of Florida entitled: "Miami Transit Company, appellant, vs. Arthur Edwards, appellee" wherein he cited seven cases all of which had been filed in Dade County, Florida, arising out of seven different accidents, plaintiffs in each case being represented by the same attorney. **

** I. *KING vs. FINCHER MOTORS*, Case No. 24756-C, Circuit Court, Dade County, Fla.

II. *STRINDHOLM vs. TAMIAMI TRAIL TOURS*. Case No. 23007, Dade County, Fla.

III. *LEE vs. MIAMI TRANSIT COMPANY*, Case No. 23141-B, Dade County, Fla.

IV. *BERRY vs. FLORIDA POWER & LIGHT COMPANY*, Case No. 24013-F, Dade County, Fla.

V. *JOHNSON vs. GOODYEAR TIRE AND RUBBER COMPANY*, Case No. 2104-D, Circuit Court, Dade County, Fla.

VI. *MORRIS vs. NOLAN-BROWN MOTORS*, Case No. 23998-B, Circuit Court, Dade County, Fla.

VII. *MUELLER vs. VANDERBUILT HOTEL CORP.* Case No. 22821-B, Circuit Court.

For the most part, the same group of doctors appeared for the plaintiff. Remarkable similarity can be noted in viewing these cases as a group although totally unrelated to each other. The plaintiffs in all cases were represented as being permanently disabled, either totally or to such a degree that they could never resume gainful employment. A total of \$577,000 was paid by settlement or judgment in these cases. A short time later, all cases were re-investigated and, with one exception, all plaintiffs had returned to various types of employment, the most seriously "injured" driving an orange truck between Florida and New York.

One wonders just how much of the more than half million dollars

paid to these seven people was justified. This, however, is a further manifestation of the cost of legal liability to the American public.

THE LIABILITY POLICY

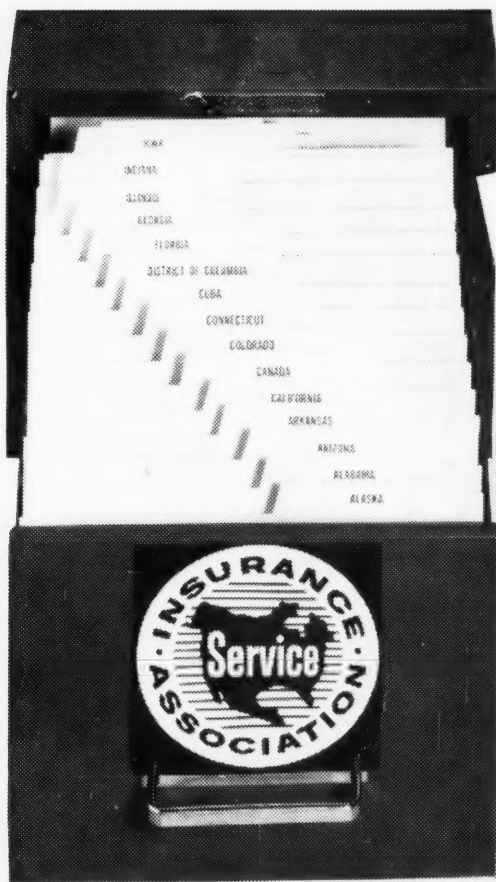
This seems to be a long way around to the discussion of the liability policy; but before we can attempt any evaluation of the contract and what is necessary to be included therein, we must have a well-rounded appreciation of the elements of legal liability which make necessary the existence of the policy in the first instance and the terminology which it must contain to meet the exigencies of modern business trends and of personal liability arising in the course of our daily conduct.

The trend toward comprehensive policies is now almost completed. Underwriters two decades ago approached the writings of a policy upon the basis that it should be designed to cover certain specific exposures. This type of contract lacked flexibility and, as conditions for change became manifest, the concept of underwriting likewise changed toward the adoption of a comprehensive form of policy which covered a general field of liability other than that which it excluded by reference.

Perhaps the simplest form of liability policy would be the mere statement that in exchange for a stipulated premium, the insurer would assume all of the legal liability of the insured, and we are coming closer to that ultimate situation as time goes on.

It is necessary to appreciate the extreme complexity that has become a part of our society, and we must further appreciate that the need for a skilled and well-trained agent becomes greater if the needs of the insuring public are to be properly served for evaluating exposure to legal liability and prescribing contracts of security against that exposure which is a professional obligation and undertaking of the highest order.

(More on page 39)



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ARIZONA, Phoenix, Luhrs Insurance Agency

ARKANSAS, Little Rock, Rector, Means and Rowland

CALIFORNIA, Los Angeles, Miller, Kuhrt & Cox,

CANADA, Calgary, Mackid Agencies, Ltd., Toronto, Tomenson, Saunders, Smith & Garfat, Ltd., Vancouver, Durham & Bates Agencies, Ltd., Winnipeg, Ryan Agency, Limited

COLORADO, Denver, Van Schaack & Company

CONNECTICUT, Hartford, Allen, Russell & Allen Benjamin & Connor, Inc.

CUBA, Havana, G. F. Kohly, S. A.

FLORIDA, Jacksonville, Donald A. Bolton & Co., Miami, Coates & Dorsey, Inc.

GEORGIA, Atlanta, Dunlap & Company, Savannah, Palmer & Cay, Inc.

ILLINOIS, Chicago, Moore, Case, Lyman & Hubbard

INDIANA, Indianapolis, Robert N. Bowen & Assoc.

IOWA, Des Moines, La Mair-Mulock Company

KANSAS, Wichita, Dulaney, Johnston & Priest,

KENTUCKY, Louisville, Nahm & Turner Insurance Agency, Inc.

LOUISIANA, New Orleans, Gillis, Hulse & Colcock, Inc.

MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.

MASSACHUSETTS, Boston, Boit, Dalton & Church

MEXICO, Mexico City, Kennedy & Hijo, A. P.

MICHIGAN, Detroit, General Underwriters, Inc.

MINNESOTA, Minneapolis, Wirt, Wilson & Company

MISSISSIPPI, Jackson, Fox-Everett, Inc.

MISSOURI, St. Louis, W. H. Markham & Company

NEBRASKA, Lincoln, Omaha, Weaver-Minier Company, Ltd.

NEW YORK, Buffalo, Laverack & Haines, Inc., New York City, Despard & Company

OHIO, Cincinnati, The Earls-Blain Company, Cleveland, The W. F. Ryan Corporation

OKLAHOMA, Tulsa, Paul Sisk, John Wakefield & Associates

OREGON, Portland, Jewett, Barton, Leavy & Kern

PENNSYLVANIA, Philadelphia, Osteimer-Walsh, Inc., Pittsburgh, Edwards, George & Co., Inc.

PUERTO RICO, San Juan, Campana Carrion, Inc.

RHODE ISLAND, Providence, Boit, Dalton & Church

SOUTH CAROLINA, Columbia, Boyle-Vaughan Agency

TENNESSEE, Memphis, D. A. Fisher, Inc.

TEXAS, Dallas, Ellis, Smith & Company, Houston, Langham, Langston, & Burnett

VIRGINIA, Richmond, The Davenport Insurance Corporation

WASHINGTON, Seattle, LaBow, Haynes Company, Inc.

WEST VIRGINIA, Wheeling, Lee C. Paul, Inc.



INSURANCE SERVICE ASSOCIATION OF AMERICA

INSURANCE at the CROSSROADS

by

Ernest L. Clark, President
Corporate Advisors, Inc.

(Address before the New York Mariners Club, Inc.)

Marine Underwriters, both Inland and Ocean, appear to be the only segment of the insurance business where the real art and skill of Underwriting is still applied. Here, the Underwriter is able to evaluate a risk and measure it in terms of dollar premiums. He can use his wits, fortified by all the information surrounding the subject of insurance, and come up with a premium that is both competitive and adequate. This is the only real American way of doing business left in this great industry.

An able Marine Underwriter must be a man of great judgment, constantly enlarging information. In this connection you have to admire the Lloyd's Underwriter who operates on the same principles. One is constantly amazed by the breadth of information these Lloyd's Underwriters have at their fingertips. I have often thought it is too bad there was not enough room on the Mayflower to accommodate this breed of English Underwriter, as they always appeal to me as being real American progressive operators in their approach to the insurance business. It is hoped someday it will be possible for American Insurance Underwriters to operate on a similar basis.

In recent years, the Inland Marine Departments of insurance companies have taken on a major status in insurance operations in America. With the coming of Multiple Line Underwriting, Output Policies, Commercial Property Forms, etc., the broadening of Inland Transportation coverages to cover more and more of the general risks of business have caused that Department to move to the forefront. However, this attention drawn by the Marine Underwriting Department has also created hazards to its continued existence. Unfortunately, by tradition American insurance companies have operated on a basis that William Winter, the sage of Atlantic

Mutual, who has now passed on to his reward, described as being little islands where each Underwriter just covered his separate risks in which he specialized and would have nothing to do with those on the other islands who handled the other risks.

This condition still seems to apply to many of the insurance companies. When Multiple Risks are written, there is still the tendency of each departmental Underwriter to want to seize control of the particular part of the Multiple Risks which apply to his Department and pick off part of the premium for his Department. This, of course, is against the proper overall evaluation of the Multiple Peril Coverage.

While the cost of the insurance should include the cost of each risk assumed, also has to be evaluated the relative proportions or possibility that any one of the many risks covered may cause a loss or it may be a combination of the risks. The risks should be evaluated from a viewpoint of a possibility of any of the various perils happening and then bulked to create an overall coverage and not attempt to break down the experience to each fire or water damage or other peril which may be insured. As these individual Underwriters see their risks, their specialty, leaving them and going under the Multiple Peril Coverage, they object and want to seize the whole business for their Department.

American insurance companies should appreciate the broad viewpoint and approach, which is the Lloyd's approach, in order to be competitive and also to be able to provide the insurance buyer with the kind of coverage and simplification of contract the buyer needs under the complex requirements of business today.

The insurance business of America today is very sick. Its ailments

are many and varied. They are assuming epidemic proportions. What is needed mostly is leadership, which seems to be sadly lacking. This leadership should recognize that an epidemic exists and bring all carriers together in finding cures for the ills which will require not individual action, but overhauling of the constitution of the industry as a whole to eliminate the plague that is existing.

Here is a business group which as a whole represents assets of about \$19 Billion Dollars among the Stock carriers. If they would only cooperate with each other instead of regarding each other with suspicion and offer the public the full facilities of this great Underwriting capacity, new and great vistas would unfold for the insurance business as a whole.

Let us look at some of the ills which now beset the insurance business. One of its great difficulties is that it suffers from a fear complex. Fear of the Federal Government. Fear of the State authorities or Superintendents. Fear of the general agents. Fear of the public reaction. Fear, fear, fear.

Not that this fear is not warranted and is not shared in by many other commercial operations. One way to dissipate its cause is to constantly improve public relations by letting the public in on some of the problems. The public relations job of the insurance industry can be, and should be, improved. Someone has to change the public's general idea that insurance business is a charity bazaar which everybody is entitled to get all he can out of whenever the opportunity offers. It should be pointed out this is the public's money with which they are dealing and not some phantom subsidy created for their benefit.

Fear of the Federal Government
(More on page 48)



William T. Krall, Manager
Singapore

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It takes know-how and skill to provide expert insurance protection on your properties and operations overseas. It also takes world-wide personnel who know local customs, laws and insurance requirements—who "pop up" from nearby to help you when a loss occurs.

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Ask your agent or broker to discuss your foreign insurance problems with AFIA



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Liability Insurance — broker
(From page 16)

limited to operations within North America and the territories or possessions of the United States.

FOURTH, most liabilities assumed under contracts or agreements other than simple leasehold agreements are excluded.

FIFTH, the operation of watercraft and aircraft are excluded unless such operations are by independent contractors. Remember that employees are not independent contractors within the meaning of such exclusions, and if employees are using watercraft or aircraft on behalf of their employers, this exclusion imposes a serious limitation of coverage.

SIXTH, claims of employees for Workmen's Compensation or other benefits are excluded.

SEVENTH, the policy also excludes property owned, occupied or rented to the policyholder or in his care, custody or control.

And finally, after excluding a few more "little things" like injuries due to war, faulty plumbing systems and collapse of tanks, what's left over is the Comprehensive Liability Policy.

Whereas this policy may be entirely adequate for the "normal" risk, we have yet to find an insurance buyer that considers his risk normal and who is willing to accept the standard policy without modification. This leaves one of two choices; either to amend the standard policy by elaborate endorsements designed to eliminate as many as possible of the objectionable features, or to write a completely new manuscript policy. Manuscript policies are much preferred if for no other reason than the simplicity of reading a single document as compared with reading one amended many times by endorsements.

Most manuscript policies written today are tailor-made to cover the whole risk on broad terms, and to reduce the restrictive conditions and exclusions to a minimum. The "Bodily Injury" agreement may be amended to cover all "personal in-

juries", which is much broader in scope and encompasses such things as libel, slander, false arrest and false imprisonment. Likewise, the "caused by accident" restriction in the Property Damage insuring agreement may be replaced by "occurrence" or perhaps removed entirely in some cases.

The policy restrictions and exclusions should be reduced to the bare essentials. Have you noticed that the latest edition of the Comprehensive Liability Policy contains no less than 15 separate exclusions, and many of these with several parts? Most of these can be eliminated entirely in manuscript forms thereby gaining important advantages in coverage, such as (1) worldwide coverage (2) blanket contractual and (3) care, custody and control coverage, to mention only the most important.

Underwriters are much more receptive to these broad policy conditions on large self-rated risks with reasonable policy limits, whereunder the policyholder is essentially paying his own way in the first place and the ultimate premium is going to be determined by the losses rather than by attempting to rate the exposures. Consequently, many liability programs are being arranged today on a primary and excess basis. The excess policies not only follow the primary Comprehensive Liability Policies, but often may follow primary aviation, marine and employer's liability on an umbrella basis.

What About the Limits?

Only a few years ago most buyers felt that policy limits of \$100,000,000 for Bodily Injury and perhaps \$100,000 for Property Damage were entirely adequate. Today, limits of \$1,000,000 are commonplace, and many buyers are protecting themselves with limits as high as \$20,000,000 and inquiring about more. Some of you engaged in the Atomic Energy field are not satisfied with the limits of \$50,000,000 to be made available by the insurance industry and have asked for government

indemnity to the extent of \$500,000,000 on top of the private insurance.

Not all of us are operating atomic power plants, but we are all faced with the fact that the costs of claims are skyrocketing. The "National Underwriter" in its July 4th 1957 issue reported a jury in the Superior Court of Chicago handed in a verdict for \$750,000 against a public utility in a personal injury suit, and reported this as probably "the largest award for injuries ever produced by judge or jury in any court." Mr. Snow will have more to say about this in his talk that follows. On the Property Damage side, claims are also getting larger because of inflated values and the fact that everything seems to be getting bigger, more complicated and more expensive.

Just look at what is happening in the aircraft industry. Jet airliners that will cost more than \$5,000,000 each will be flying commercially next year. This is a fifty-fold increase over the cost of the DC-3 Transport that was in general use less than 20 years before. Furthermore, the jet liner may be carrying 150 passengers as compared with 25 in the DC-3. Underwriters have estimated that claims resulting from the loss of a jet airliner may run as high as \$10,000,000 for the hull and passengers—and this entire amount might fall back as a products liability claim against a small manufacturer that furnished a defective component that was built into the airliner.

What is Happening to the Rates?

Most of us have heard by this time that 1956 was an unprofitable year for nearly all Fire and Casualty Companies—particularly in the category of Automobile Liability, where some 122 Stock Companies lost more than \$64,000,000 in 1956 alone. Preliminary figures for 1957 do not look much better. One of the largest groups reported underwriting losses of \$24,000,000 for the first 6 months of 1957. One

(More on page 35)

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For what it's worth...

The Danger In Using Cost Trends Improperly

from the CLIENTS' SERVICE BULLETIN
of The American Appraisal Company

A number of years ago we developed an index to keep our clients informed of the broad general trend of construction costs. We based our index on the cost of materials and labor for four distinct types of industrial buildings, then averaged the results.

But, when applied to a specific structure, such averaged costs can be misleading. Buildings differ in materials used. Furthermore, the various components will not fluctuate uniformly in price, as the following examples, taken in the same locality, will show:

Price Increase, 1913 to June, 1957

Common brick laid up in wall . . .	700%
1" common board sheathing in place	528%
Concrete wall in place	249%
Sheet metal roofing in place	358%
Area excavation	83%

For these reasons, we do not use general trends in our valuation work. although we can and do prepare specific index figures applicable to specific properties or facilities where a general adjustment of values is desired. But where a proof of loss is involved, trended costs do not take the place of a detailed appraisal kept up to date through Continuous American Appraisal Service® to establish the value of each item destroyed or damaged.

An American Appraisal is a complete inventory and valuation of the property. It is supported by evidence that compels acceptance—and by records that will be available whenever proof is needed. It represents valuation principles that command respect. It is based on The American Appraisal Company's over-half-century leadership in the field of valuation for purposes of insurance, accounting, property control and corporate financing.

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Use & Occupancy (From page 12)

financially to absorb such losses. However, when disaster hits, few businesses can continue without suffering substantially unless they have insured their earnings. Credit people say that less than 20% of the businesses that have been subjected to disaster damage survive without serious impairment of income or credit. Therefore, U & O insurance must be regarded as a "disaster" type of coverage and as such, careful thought should be given to the development of the coverage in the insurance program.

In attempting to arrive at the proper amount of U & O insurance, the mere filling in of a printed work sheet with data taken from a profit and loss statement is inadequate. U & O insurance is not a matter for the accountant alone. It is a subject for thought and analysis by men familiar with practically every phase of every business—the raw stock purchaser, the production manager, the power engineer, the maintenance superintendent, the sales manager, and others depending on the type of business involved, and all should be guided in their thinking by a qualified U & O insurance man. The important questions to be considered by them are—what will happen to the business if operations are curtailed seriously as the result of an accident, and what we can do for ourselves to prevent such curtailment, keeping in mind that the continuance of operations is of far more value to any going industry than insurance collections, whether they are for property damage or loss of earnings. They must consider, for example, whether there are production bottlenecks which could be eliminated by the purchase of spare equipment, or by actual duplication of physical installations, or by improvement of construction and protection, or by other means.

The U & O Work-Sheet

Referring to the accountant with the printed work sheet and his profit and loss statement, certainly the P & L statement was not pre-

pared with the U & O work sheet as its sole purpose. Do the terms used in the work sheet mean to the accountant exactly what they are supposed to mean from the standpoint of the U & O Insurance or could he, for example, confuse "gross profit" with "gross earnings"? He should not for the accountant should study the insurance form, and the meaning of the various insurance terms should be thoroughly understood by him before he starts with the work sheet. One of the troublesome terms is "ordinary payroll", which is frequently taken to mean manufacturing labor or production labor as classified in the P & L statement, but invariably these classifications include far more than is meant by ordinary payroll. Unfortunately, the term "ordinary payroll" if not defined in the insurance form but a definition might well be, "payroll for employees who may easily be replaced". For example, in a glass plant there are many types of hourly wage men who come within the classification of "manufacturing labor" who must be on the job whether the plant is producing or not. Certainly then they should not be classified as "ordinary payroll" from a U & O standpoint for they represent a continuing expense during an interruption. The same situation is true of many other industries, for instance coal mines where many maintenance men must be continued in the mines whether or not coal is being produced.

Obviously then, before preparing the U & O work sheet, payrolls must be carefully analyzed, for otherwise the business might find itself in position of the man who rushed into the doctor's office and cried, "I swallowed a silver dollar six months ago", and to the doctor's question of why he had waited so long to have it removed, replied, "To be honest, Doc, I didn't need the money until now!" Would you expect to arrive at the proper value for fire property damage insurance by looking at a statement of assets of operating property? Of course not! There is no relationship
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Use & Occupancy

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between property book value and property insurable value. Property insurable value must be competently determined and there are appraisals, plans, records, equipment lists, inventory lists, and so forth, to assist in arriving at the answer, with arrangements made for the report of new values and adjustment of insurance amounts. How often is any comparable work done in connection with U & O coverage and values?

The problem most frequently mentioned is the difficulty of estimating next year's business as required by the coinsurance clause. Yes, that is difficult, but if your business is going into a new sales territory or developing a new product or going to build a new plant or expand in some other way at a cost of thousands or millions of dollars, sufficient study is made to permit a projection of the business and the results are usually quite realistic. Yet the U & O coverage, which can easily be paying you more dollars than the new expansion program costs, is passed off by a glance at the work sheet and the statement. "Those figures for last year look all right for next year." I was recently called in to assist on a U & O loss sustained by an account on which we were not the producers where that sort of attention could have meant a penalty of better than 50%. The amount of insurance has now been doubled.

Once your U & O value and amount of insurance have been properly established you cannot hope to come out right sometime in the future unless you frequently review the figures and properly adjust the insurance. Such review should be made in most businesses six months and in most businesses under present varying conditions, more frequently than that. Monthly and quarterly business projections are common for other purposes, and so it seems reasonable that similar projections should be made for a

(More on page 32)



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At the time of shipping, you create an account receivable . . . and unless you have credit insurance . . . your insurance protection ceases. You lose control of the asset because title of the merchandise has passed. It is sound to insure your product while you own it . . . it is equally sound to insure it when your customer owns it . . . and owes *you* for it. Aggressive executives, through American Credit Insurance, continue protection of their working capital and profits invested in receivables. It is an important tool for constructive credit management. Our booklet on the many ways credit insurance contributes to financial security and sales progress should interest *you*. Write AMERICAN CREDIT INDEMNITY CO. of New York, Dept. 33, 300 St. Paul Place, Baltimore 2, Maryland.

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Credit Insurance***

ANY ACCOUNT...NO MATTER HOW GOOD...IS BETTER WITH ACI

Use & Occupancy (From page 31)

matter as important to the business as U & O insurance.

Competent Administration

Isn't the imaginary mystery of this coverage largely based on the lack of knowledge of the workings of the coverage on the part of many insurance producers and others and the unwillingness of these same people to call for competent assistance in the development of a U & O program? The other day while driving along the highway with no special attention being paid to the car radio, I suddenly heard a commentator say, "The marriage contract is entered into by more people with less knowledge of what it really means than any other contract." I am quite sure he is not acquainted with U & O insurance. Insurance Company adjusters specializing in handling large U & O claims estimate that approximately 20% of them cannot be paid in full by the insurance companies because of failure to comply with co-insurance requirements. Every insurance buyer should insist that his insurance producer provide him with thoroughly competent U & O assistance.

Given the proper support, the U & O will do what it is supposed to do, that is, give the business its normal dollar earnings that would have been earned had no interruption occurred subject to the policy limitations. However, the statement frequently heard — "U & O insurance will do for a business what the business could have done for itself" — implies far more than the contract affords. U & O is not a cure-all for an interruption. It will pay dollars but among other things it will not pay for are:

- 1—Expenses of the business which do not continue;
- 2—Profits that would not have been earned had the interruption not occurred;
- 3—Loss of good-will;
- 4—Profit tied up in finished goods destroyed;

5—Any increase of loss caused by any regulation pertinent to the construction or reconstruction of buildings;

6—Any loss caused by the suspension, lapse or cancellation of any lease, license, contract, or order;

7—Any increase in loss caused by interference by strikers or other persons with rebuilding or repairs;

8—Any consequential or remote loss;

9—Any increase of loss caused by the inability of the business to restore raw stock or stock in process within the permitted time provided by the U & O contract in force;

10—Loss caused by the failure of the policyholder to operate undamaged operable portions of his property.

U & O is very good "for the purposes for which it was built" but if you want maximum results, give it the attention it deserves. *It can mean the life of your business.* Again, as insurance buyers, be sure you get the qualified, competent U & O assistance from your insurance representative that the subject warrants.

Other Forms of U & O

We have discussed direct U & O coverage on the insured's own property. There are other forms to be considered, known as contingent U & O coverage. One of these is called Contributing Properties Coverage which applies when the business is dependent upon other businesses for its raw stock or other vital facilities. Another form is known as Recipient Properties Coverage, which applies to the loss of a sales outlet. A third form is Off-Premises Power, Light, Heat, Gas, and Water Supply coverage. If your business is dependent on one supplier, then the Contributing Properties Coverage should be written in the same amount as the plant U & O. If your plant has only one sales outlet, the Recipient Properties Coverage should also be in the same amount as the plant U & O. If, on the other hand, the

dependency in either case is only partial, then the contingent U & O insurance should be written only in the amount necessary to protect the loss of earnings that would be incurred by the cutting off of the dependency. It is advisable that all such contingent covers and the plant U & O itself be written with the same insurance companies as the property damage insurance for there are many factors in a loss where there is need of uniform action on the part of the carriers of both forms of insurance.

Extra Expense Insurance

Let us consider briefly Extra Expense Insurance. Extra Expense Insurance will only reimburse the business for extra expense over normal expense that the business incurs to maintain itself after an interruption. It contemplates that the business will be able to maintain itself either on its own premises or on other premises or both. Extra expense will not pay for any loss of sales or production nor loss of profits nor loss of continuing expenses which are normal and would have been earned by the business had there been no interruption. There are only a few classes of business that could hope to come out whole with extra expense insurance only and these require that there be other adequate facilities available to carry on the business. Newspapers are perhaps the best example. Morning press facilities could probably print the afternoon paper in an emergency. Dairies, laundries, dry cleaners, banks, schools, public and charitable organizations are other examples. But in every instance the circumstances must be carefully analyzed and cannot be taken for granted. Here again the insurance purchaser is entitled to qualified competent insurance assistance.

U & O Claims

A U & O loss usually turns up and can be proven when the profit of the business is less than was anticipated before the accident unless, of course, there are other contributing and extenuating circumstances. Not

(More on page 34)

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Use & Occupancy

(From page 32)

all interruptions of production lead to proper claim under the U & O contract. It requires an actual sustained loss of earnings which can occur in at least two ways:

- 1—By loss of sales income, either immediate or in the future, or
- 2—By increased costs of production, which in turn means a reduction in profits. When a U & O claim is being developed, don't leave it all to the accountant. He needs the help of the production, purchasing, engineering, sales and administrative people of his own organization and, most certainly, the help of the qualified U & O loss man of his insurance representative working in his interest in order to fully develop his claim. Insurance company U & O loss adjusters cannot be expected to do much more than to work with the data submitted to them. They cannot be expected to investigate and develop all angles of a business that might properly be involved in the U & O claim.

U & O claims can involve several factors either individually or collectively, and will vary considerably with partial and complete shutdown, as well as with the length of time of restoration of damaged equipment, buildings, etc. Factors involved can include:

- 1—Loss of profits;
- 2—Loss of continuing fixed charges;
- 3—Extraordinary operating or processing expenses;
- 4—Expediting expenses over and above normal expenses in building repair or machine repair providing said expenses reduce the claim under the policy for loss of profits and fixed charges.

Frequently complete data is not readily apparent from a review of prepared accounting figures. Here are some examples taken from my own experience, where accounting figures alone resulted in the development of tentative figures which did not cover the loss sustained.

A coal tippie damaged by fire to the extent of roughly \$120,-

000 with tentative U & O figures prepared by an outstanding firm of certified public accountants representing the coal company, in the amount of \$93,000. Several days' work at the mine developed, among other things, that a large amount of trucking and equipment expense pertinent to the temporary facilities had never been charged to the loss account, with the result that a U & O claim was filed and adjusted in the increased amount of approximately \$150,000.

An oil refinery with a fire loss of approximately \$100,000, and tentative U & O figures prepared by the refinery people in the amount of \$29,000. Careful discussion of costs, distribution of products, and so forth, resulted in the submission and adjustment of a U & O claim for an increased amount of \$40,000.

A chemical plant with a severe fire damage had original U & O figures prepared by the plant people of less than \$150,000. Careful analysis of increased costs of products caused by diversion of production from the damaged plant to other plants of the same concern contributed substantially to

the increase of U & O figures to a claim and adjustment of approximately \$350,000.

A cattle feed producer with a tentative U & O claim adjustment on the basis of the insurance company offer of \$5,000 revised and adjusted for approximately \$11,000 after careful investigation of seasonal production costs.

Review

- 1—Omission or inadequacy of insurance on earnings can be even more damaging to a business than failure to properly insure physical property.
- 2—U & O is not a simple subject but proper amounts of insurance and satisfactory claim figures are ascertainable if the proper effort is made to develop the required information.
- 3—The amounts of U & O Insurance, like other forms of insurance should be reviewed periodically.
- 4—Insurance producers should provide their customers with competent experienced U & O assistance both at the time of determination of the amount of insurance to be carried and also at the time of loss.

Fifth Annual Spring Insurance Conference Announced by Houston Area Insurance Buyers Association, ASIM

DATE: April 9, 1958

PLACE: Shamrock Hotel, Houston, Texas

PROGRAM

Group Insurance Plan — 1960 Model, by Charles A. Siegfried, Vice President, Metropolitan Life Insurance Company, New York.

Expensive Trends in Hospitalization and Life Coverage on Retired Employees, by Ivan Ricks, Vice President, Marsh-McLennan, Chicago

The Effect in Cost and Administration as a Result of Recent Changes in the Texas Workmen's Compensation Law, by H. C. Pittman, Chairman, Industrial Accident Board, State of Texas

Reporting of Realistic Fire Values, by George W. Jordan, Assistant General Manager, General Adjustment Bureau, Inc., Dallas.

From Warehouse to Customer — Are Your Shipments Insured Adequately? by Judge John R. Brown, Federal Judge, Houston — New Orleans.

Liability Insurance — broker
(From page 28)

of the prominent local companies just reported a net loss of \$1,250,000 for the first 6 months of 1957 as compared with a loss of \$100,000 for the same period in 1956. This may become more serious than many of us like to imagine. We may not be concerned about the Underwriter's ability to take care of himself and pull out of this losing spell, but not without its first affecting all of us in the form of higher rates and tighter Underwriting. Here again these remarks apply more to the individual policy rather than to the large self-rated risk.

(Presented as part of a panel discussion entitled: "Liability Insurance for Tomorrow's Needs," before the second annual Insurance Buyers' Conference, sponsored by the Southern California Chapter of the American Society of Insurance Management, Inc.)

Southern California Chapter, ASIM, Installs New Officers

On February 19th, Southern California Chapter of the American Society of Insurance Management, Inc., installed new officers for 1958-1959.

A dinner meeting, to which wives were invited, was preceded by a social hour. During the meeting, Dr. Floyd Corbin, whose Irish wit and enthusiastic approach to life make him an entertaining speaker, presented "The Masculine Viewpoint".

After the introduction and recognition of outgoing officers, presentation of Past-President's Council Award, the following officers were installed and presented to members and guests:

William E. Reimer, Carnation Company, president; Philip Myers, Lockheed Aircraft Corporation, vice-president; Waldo W. Powers, Signal Oil & Gas Company, treasurer; and M. J. Bowman, American Potash & Chemical Corporation, secretary.

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Fidelity Coverage

(From page 8)

This being the age of speed and jet propulsion it is appropriate to call attention to a sign posted in the ready room at a jet interceptor base for the edification of the pilots —

"What you don't know won't hurt you—it will kill you."

In order that a lack of knowledge would not hurt or seriously impair the financial well being of our Insureds, there was constant effort being made to seek a solution.

Our staff at the Association was frequently asked "How Much coverage should such and such type of Insured be carrying." Another question frequently asked was "How many Insureds in a certain line of business carry \$100,000. or \$200,000. or \$500,000. of Blanket Fidelity coverage." In other words, everybody was trying to find a yardstick in order to determine the proper limits of fidelity bond coverage or how much honesty insurance to carry.

During much of this period there has been in use a yardstick or guide to the adequacy of coverage in the Bank field. Both the American Bankers Association and our organization had developed a table of suggested amounts of minimum Blanket Bond coverage for bankers. This guide had been very helpful to our companies, their agents and clients in increasing amounts of coverage carried and reducing the area of under insurance and amounts of uninsured losses.

Naturally, therefore, another question that was frequently voiced was "Why is there not available a similar table of recommended minimum amounts for use in the Commercial field." One very good reason was, of course, the great difference in operations and exposures between the banking field and the commercial field. The other was the great variety of businesses conducted and activities engaged in by Insureds in our so-called commercial field which in-

cludes practically everything except the financial, public official and court fiduciary field.

We found ourselves in the position of having persuaded some people of the necessity and advisability of carrying Honesty Insurance but could not give them an authoritative answer to the question "How Much Honesty Insurance should be carried?"

We not only want to be able to prescribe the proper remedy against dishonesty losses but also desire to recommend an adequate amount of protection. Particularly in the case of Insureds who have been insurance-minded and have purchased the property type of coverage is it important that we be in a position to advise some gauge or yardstick whereby the adequacy or inadequacy of amount can be determined. Everyone knows that an amount that was adequate some years ago, may now be disastrously inadequate.

An alumnus returning to his college on a visit, dropped in to see his old Economics Professor and found him reviewing examination papers. Glancing casually through them, he noticed that they were the same questions that were asked when he attended school. In amazement he asked his old "Prof" if he didn't realize that students handed down the questions to each succeeding class. "Don't you ever change the questions?", he asked. "Oh, no," said the Prof, "In Economics we never change the questions—we only change the answers."

The same situation probably prevails in all areas of activity. Yesterday's answers are not valid today. Values change, costs rise, exposures increase and that which was sufficient yesterday may very well be insufficient and inadequate today.

Our Association has published booklets relating to various phases of the Fidelity, Surety and Forgery Bond business. These booklets are designed to give the answers to various questions. One question, until recently, however, had never been answered authoritatively, namely, how much honesty insur-

ance should be carried. The Insured generally thought his insurance broker or agent was trying to oversell, unless he could be shown that such and such a competing company had twice as much coverage as he was carrying on practically the same type of exposure.

The planning and groundwork for an exhaustive study of the under-insured risk was initiated by a special sub-committee of our Association's Fidelity Bond Committee. We in the industry are deeply grateful for their dedication and devotion to this task. Inquiries were made by our staff, under the committee's direction, of individual member and even some cooperating non-member companies requesting information on losses actually sustained by Insureds in the amount of \$10,000 or more over the previous ten year period, giving the nature of the Insured's business and factors related to the size of the Insured's organization. This data also included the actual amount of the loss, period of its concealment by the defaulter, position of the defaulter, amount of bond, current assets, sales or gross income and number of employees. This information was classified and tabulated according to the nature of the Insured's business into eight group and twenty-three sub-group industrial classifications. The number of losses thus broken down were then regrouped into five general classes of Insureds;

- (1) Those who sell services with a relatively small percentage of equipment or goods on hand.
- (2) Those who sell services with a relatively large amount of assets represented by equipment, but with a small amount of goods on hand.
- (3) Those engaged in sale or manufacture of durable goods such as automobile companies and dealers, automobile equipment, companies, lumber, furniture, machinery and metal companies.

(More on page 37)

Fidelity Coverage
(From page 36)

- (4) Those engaged in handling and sale of food, drug and chemical products.
- (5) Those engaged in the general merchandise or wearing apparel business.

The committee then considered and tested a great variety of factors which might be used as a base for a guide to the amount of coverage required. These included (1) total assets (2) current assets (3) capital and surplus (4) sales or income (5) number of employees. No one of these single factors worked well. Those which produced an apparently satisfactory result in one situation did not apply in other cases. This led to further experimentation and exploration for a formula that would be of general application.

One of our Committeemen summed up the situation at this point by stating that two outstanding problems then faced the Committee.

- (1) Finding a table that would recognize differences in exposure due to the various kinds of operations engaged in by Insureds. For example, the difference between a drug company with a large amount of goods on hand and a real estate concern

with no goods on hand; or the difference between a contractor with heavy equipment and a concern engaged in general merchandising.

- (2) Finding a table which would apply both to small and large concerns without producing exorbitant amounts of coverage for the larger risks.

Keep in mind that the committee had before it the actual records of numerous risks showing the amount of excess or uninsured loss sustained with relation to the size of the Insured and the nature of his business. The result of their studies was the adoption of a formula which employs a combination of the factors which previously were found unsatisfactory when used singly. First of all they decided that a combination of two factors were necessary. These were:

1. Current Assets
2. Annual Sales or Income

Current assets will include cash, deposits, securities, receivables and goods on hand. The formula permits a breakdown of this item so as to separate the value of goods on hand if that figure is readily available. It was found after much experimentation that a certain percentage of each of these factors represented an exposure index. The

exposure index was found to be:
20% of Current Assets and
10% of Annual Sales or Income

Where a separate figure is available for the value of goods on hand the exposure index can be determined by using:

5% of the value of Goods on Hand

20% of Current Assets minus value of goods on hand

10% of Annual Sales or Income

The total of the figures produced by these percentages constitutes a so-called "Exposure Index".

Next the committee devised a graduated Table of Exposure Index Amounts and related it to suggested minimum Bond Amounts. For example, where the exposure index figure is between \$1,000 and \$25,000 the suggested bond amounts are between \$15,000 and \$25,000. Where the exposure index is between \$25,000 and \$125,000 the suggested bond amounts range between \$25,000 and \$50,000. The table runs up in 31 steps to an exposure index of between \$1,250,000,000. and \$1,500,000,000 with suggested bond amounts in that bracket of between \$4,500,000 and \$5,000,000.

Examples of how the formula is applied are given in the booklet, one of which is for a wearing apparel manufacturer:

(More on page 38)

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Fidelity Coverage

(From page 37)

Examples of how the formula is applied are given in the booklet, one of which is for a wearing apparel manufacturer:

(1) Total Current Assets	\$ 950,000	
A—Goods on Hand	600,000	
B—5% of A		\$ 30,000
C—Current Assets minus Goods on Hand	350,000	
D—20% of C		70,000
(2) Annual Gross Sales or Income	3,000,000	
A—10% of (2)		300,000
Total (Exposure Index)		\$ 400,000

The aforementioned Exposure Index of \$400,000 is then applied to the Table of Suggested Minimum Bond amounts and we find that this risk should carry a minimum amount of Honesty Insurance of between \$750,000—\$100,000.

Another example given is the case of a farm machinery manufacturer.

(1) Total Current Assets	\$15,000,000	
A—Goods on Hand	8,000,000	
B—5% of A		\$ 400,000
C—Current Assets minus Goods on Hand	7,000,000	
D—20% of C		1,400,000
(2) Annual Gross Sales or Income	82,000,000	
A—10% of (2)		8,200,000
Total (Exposure Index)		\$10,000,000

This Exposure Index of \$10,000,000 calls for a suggested minimum amount of Honesty Insurance as shown in the Table of between \$600,000 — \$700,000.

For businesses which perform service functions such as transporting the property of others or have such property in their custody, the value of that property should be included in the "Total Current Assets" and the "Goods on Hand" totals.

In the case of firms acting in an agency capacity having custody of cash and securities belonging to others or which have responsibilities for the collection or disbursement of funds belonging to others, the average amount of such items on hand at one time should be included in "Annual Gross Sales or Income."

Although many large dishonesty losses involve Forgery and Forgery insurance is a valuable and recommended supplement to Fidelity coverage such Forgery insurance

should not be relied upon as taking the place of needed Fidelity bond coverage.

I quote directly from the booklet's foreword written by Mr. John H. Zebley, Jr., President of the American Institute of Accountants, in commenting on Safeguards Against Fidelity Losses,—

"There are three principal safeguards:

effective internal control, fidelity bonds (or honesty insurance) and independent audits by certified public accountants. None of these things is wholly effective without the others. Internal control is perhaps the most effective preventive method; but even good internal control will not make it impossible for employees to defraud their employers. Independent audits discourage fraud and often uncover it; but they do not — as is sometimes mistakenly supposed — guarantee disclosure of all irregularities. Fidelity coverage is a means of recovering what may be

lost in spite of management's best efforts to prevent irregularities."

We have had the cooperation of the American Institute of Accountants and always appreciated it and especially, when they have recommended the protection of Fidelity Bonds where such coverage was lacking and advocated increased limits of Fidelity coverage where inadequate amounts were being carried.

We now feel that we can properly implement a program for the development of more adequate and proper limits of Fidelity coverage by the judicious use of the formula I have outlined to you as contained in our booklet "How Much Honesty Insurance".

The bond amounts suggested by the formula are definitely *minimum* amounts and *not maximum* amounts. The committee in testing this formula found that it produced full protection in 95% of the cases they studied. The fact that 5% of the cases would not have obtained full recovery indicates the recommended amounts are not excessive and suggests that some Insureds could well consider purchasing coverage in excess of the recommended minimums. This upward adjustment as deemed necessary in the case of certain Insureds is in recognition of the possibility of "catastrophe" losses which cannot be measured by any known method. We urge you to solicit the advice and counsel of your accountants in the application and development of the figures called for by this formula and above all the advice and counsel of your insurance broker or agent in the determination of an adequate amount of Fidelity Bond coverage. We sincerely believe we have now found the answer to this perplexing problem of "Proper Limits for Fidelity Bonds".

(Address before the Insurance Buyers Association of Detroit, American Society of Insurance Management, Inc.) — November, 1957

Liability Insurance — broker
(From page 24)

A LOOK INTO THE FUTURE

Look through the keyhole with me for a moment in an effort to see what lies ahead in this tremendous problem of providing a proper remedy for injuries sustained by the public because of our daily relations with each other and in the administration of our business functions.

Are we reaching a threshold where our present method of remedy has outgrown itself and has otherwise become such a tremendous financial burden upon all of us that it is no longer practical?

It is contended by many people in high places that the concept of legal liability arising from the negligent acts of wrong-doers which precipitate injury and damage requiring the payment of damages is inequitable and grossly disproportionate to a system whereby all injured people would receive

fair and impartial reimbursement for injury or damages. It is contended by these people that the system of negligence be abolished and that in its place instead should be adopted the system of compensation, particularly to afford protection as a result of the operation of the automobile.

It is also recognized, however, by these people and others that a compensation plan possesses enormous inequities in that it would afford an identical remedy to all people in all stations in life, and, therefore, a compensation system, even though in existence in some foreign countries has not yet been too seriously considered. Those of us given to the philosophy of private enterprise too recognize a trend toward socialization in the adoption of such a system and for this reason there is certain repugnance to the idea of an administrative system of providing damages to injured people and reimbursement for damage and destruction of their

property.

There are others who feel that another alternate is available in the proposal of a full aid insurance program whereby our present system of tort liability would be abolished and in its place would be adopted a system of accident insurance to afford coverage to the insured himself whether he be in the position of a motorist, a guest or a pedestrian and such system of accident insurance be compulsory before one would be permitted to operate a motor vehicle. They would propose removing the inequities of the compensation plan by making mandatory minimum limits on such accident policies but making available to the insured the purchase of additional coverage for the insured's own protection. This would eliminate, largely, the litigation which now occupies 80% of the time of all of our courts and would make available to the insurance-buying public a greater proportion of the insurance dollar

(More on page 48)

In Your Service

Among the many functions of a competent insurance agency is the knowledge of insurance markets — where to secure the broadest coverage in financially sound companies at minimum cost.

We pride ourselves, as do insurance buyers, on our ability to keep informed of the ever-changing insurance source of supply.

If you have a problem, we believe one of our specialists can help solve it.

BYRNES-McCAFFREY, INC.

Detroit

Chicago

Supervision

(From page 6)

penses in periods of lay-offs and after retirement.

In his message to the legislature in January, 1955, former governor Walter J. Kohler suggested that legislation be enacted. Some study was given to the proposal, but no action was taken for a number of reasons. At that time there was no legislation in effect in other states or through congress which would serve as a guide. Some of the more aggravated cases of the misuse of employee welfare funds had not then been revealed. The New York proposal then being considered was later passed by the legislature of that state, but was vetoed by Governor Harriman.

The state of Washington enacted legislation which became effective on June 23, 1955. New York's revised proposal became law on September 1, 1956. The National Association of Insurance Commissioners also made some suggestions to be considered after the Subcommittee on Welfare and Pension Funds of the U. S. Senate Labor Committee, in April, 1956, criticized the insurance business for not having a Code of Ethics to deter wrongdoing among its membership. These previous enactments and suggestions were no doubt of considerable help to the members of the Wisconsin legislature who drafted our new law. Both industry and labor were very cooperative in working out the provisions of the Bill and in securing its passage.

Analysis of Chapter 552

Legislative Approach

The declaration of policy recognizes the vital importance of employee welfare funds, the need for supervision without imposing stifling burdens, and the necessity of avoiding duplication of supervision exercised by authorities of other states or the federal government. The Act specifies that it is not to be interpreted to relieve trustees of any responsibilities under other laws. It also declares that its provisions shall be liberally construed

to protect against mismanagement and to assure the faithful discharge of the responsibilities of the trustees and fiduciaries.

Definitions

Employee Welfare Fund. The definition is very broad. It takes in funds operated jointly by employers and labor unions and funds operated solely by either of them. The operation may be direct or through trustees; it may or may not involve insurance or annuity contracts. There are, however, three essential characteristics, namely (1) there must be a fund, (2) there must be payments or a contract to make payments by or on behalf of an employer doing business in Wisconsin, and (3) provision must be made for the benefit of persons employed in this state.

At first blush it may appear ridiculous to consider the existence of a fund as an essential element in the plan to be supervised. This part of the definition, however, becomes most significant in the determination of the correct reply to the most common question that we have been asked to answer, namely "Is the direct purchase of insurance or annuities by an employer from an insurance company subject to supervision under the Act?"

Webster's most appropriate definition of the word "fund" is "A sum of money, especially one the principal or interest of which is appropriated or devoted to a specific object." It, therefore, appears entirely consistent to hold that the intent of the Act is not violated by concluding that the direct purchase of group coverage for employees does not come within the requirements of the Act provided there is no allotment of money to a special account for the payment of premiums pursuant to a contract of employment, or any agreement for the pooling, trusteeship, or delay in payment of the proceeds of the insurance contracts to the designated beneficiary. Stated conversely, a pool or trusteeship at the premium-paying or the benefit-paying stage would probably bring the plan under the terms of the Act.

Another situation has been called

to our attention wherein the employer is no longer making contributions and there are only 20 employees in Wisconsin. There are, however, 11 retired employees under the plan residing in this state and 5 retired employees living outside the state. Our conclusion is that on technical grounds the fund is exempt because no contributions are being received from the employer and there are less than 5 active employees within the state.

Employee Benefits

This term is very broad. It includes all of the customary features of medical, surgical and hospital care, loss of time and other accident or sickness benefits, death, unemployment and retirement benefits and any other services for employees and their families and dependents.

Trustee

This definition has been somewhat difficult to apply in connection with the registration requirements of the Act. It refers to persons or firms, et cetera, whether acting individually or jointly, who or which have "over-all management of any employee welfare fund."

No problem is presented where a trustee, whether an individual, firm, association, or etc. actually has "over-all management" and acts as a single unit. On the other hand, many of the funds have a division of authority. In those cases we feel that the purpose of the legislation is best served by suggesting that persons having a responsibility in the management of the fund and actual knowledge of its operations, or at least of those matters within his (its) jurisdiction, should be held to be a trustee.

Registration

In our communication of September 30, 1957, which we hoped to get to each employee welfare fund required to register, we indicated that only those funds were exempt from registration which do not either:

1. Receive any payments in
(More on page 41)

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amounts equivalent to an annual rate of more than \$2,000, other than income from investments, from any employer in Wisconsin, or

2. Together with any related fund, become subject to being called upon to provide for the payment of benefits under an employee welfare fund to 25 or more persons employed in this state.

Registration of existing funds in required by November 22. Funds not now in operation in Wisconsin or affecting 25 or more employees in this state will be required to register within 3 months after commencement of activities in Wisconsin or when the number of persons employed in the state reaches 25.

The registration form which we adopted is very similar to that used in New York. A change was made in the signatures required. Since New York's law applied only to jointly operated funds, it was sufficient to indicate that "trustees" should sign as there was a trust agreement in each case. As our Act includes unilaterally operated funds as well, we suggested signing by persons having responsibility in the management of the fund. This was in keeping with our view that the term "trustee" should include all such persons in order to ef-

fectively carry out the avowed purposes of the Act.

Examinations; Authorization and Requirement

The commissioner is authorized to examine any fund as often as he deems it necessary, and at least once in each 5 years. This provision is a very important feature of the Act. It is coupled with the requirement that the trustees "shall be responsible for the maintenance of accurate records . . ." in accordance with accepted accounting principles. Judging on the basis of what one hears and reads, the matter of proper records is a serious weakness in the operation of many employee welfare funds. Some of the shortcomings of the accounting systems are no doubt due to inefficiency, but their existence readily lends itself to deliberate mismanagement or dishonest practices.

Examinations; Conduct

The Act prescribes certain formalities in connection with the initiation and conduct of examinations. In general, however, the procedure specified does not differ greatly from that employed in examining insurance companies. We anticipate, however, that these examinations will involve a larger percentage of the time of the examiners being devoted to the audit of accounting procedures than in

the case in the examination of an insurance company, particularly in a life company or fraternal benefit society.

It will be noted that the Act states that the commissioner "... may, without regard to the classified service, appoint as examiners one or more competent persons who are not employed by the trustees of such fund or interested in such fund" to make the examination. My supervisor will be under civil service, but I plan to engage certified public accountants on a geographical basis to make the examinations.

Examinations; Publication

This section protects the commissioner and the examiners from unwarranted interference with their activities on the part of publicity seekers and persons interested in the fund being examined. On the other hand, the fund is protected against the release of incorrect or improper information gained in the process of the examination. Following an examination and a hearing on the report, if requested, the commissioner may release such facts "... as, in his opinion are in the public interest."

Examinations; Expenses

Each fund examined is to pay the expenses of the examination. No charge for the time of the com-

(More on page 42)



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Supervision

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missioner or a deputy commissioner is to be made if either of them makes an examination. The commissioner may waive the payment of examination expenses by any fund upon a showing of extreme financial hardship. Actually, with an annual appropriation of only \$35,000 for the administration of this Chapter there cannot be many waivers unless the emergency board gives us additional money.

Annual Statement to Commissioner

Except for the examination and special investigatory provisions of the Act, the annual statement will provide the most revealing information available to the commissioner. The statement must be filed by June 1 and must contain much specified material and "... such substantiation by vouchers and otherwise and such other information as the commissioner shall from time to time prescribe.

The Act indicates that the statement is to be on a fiscal year basis. We realized when the legislation was introduced that this would result in statements being filed several months after the date the books were closed in a considerable number of cases. It was felt, however, that at least in the initial stages of supervision of employee welfare funds, it would not be in keeping with the intention expressed in the Act to keep expenses at a minimum to require a statement for the calendar year if the welfare fund was operating on a different fiscal year basis. Then too, as an immediately practical matter, we didn't want to have annual statements required before we had an opportunity to work out a suitable form for the purpose as we are required to do.

I am hopeful that the National Association of Insurance Commissioners will follow my suggestion to assign a subcommittee of their committee on blanks to the drafting of a uniform statement form for use in all states which supervise welfare funds. It is apparent that

such action cannot be taken in time for the preparation of the form to be used for the current year's operations which is to be filed by June 1, 1958. We plan to adopt a form requiring substantially the same information as that required by New York. That form is set up along the general lines of the annual statement form adopted by the N. A. I. C. for use by life insurance companies. Incidentally, the adoption of uniform blanks for use by the various states has been an important item in the N. A. I. C. since its organization in May, 1871. The record of that very first meeting shows that among other things it "... recommended the adoption in the several states, of uniform forms of annual statements, to be used by fire, life and marine companies ..."

We propose to give the trustees of welfare funds and other interested parties an opportunity to offer suggestions before we adopt the annual statement form.

Special Statements to Commissioner

This provision which requires the trustees to respond promptly to inquiries from the commissioner "... in relation to the transactions or condition of the fund or any matter connected therewith" is comparable to one in the statutes applicable to insurance companies. It is an important item in the overall supervisory system.

Annual Reports to Employers and Employees

The annual report is required to be filed by March 1 each year. The Act does not specify any great amount of detail to be included but gives the commissioner broad discretion in respect to that matter. We expect to keep the report form as simple as possible and yet show the financial condition as of December 31 and a summary of operations during the year.

The commissioner is required to keep the annual report on file and to permit inspection thereof, or such parts as he may deem appropriate and relevant, by contributing employers, any labor organizations party to an agree-

ment creating the fund, or any employee covered by the fund. The report is also to be kept on file at the principal office of the trustees of the fund. There is no indication that the copy on file with the trustees is to be open to inspection, but the commissioner may order the trustees to mail copies of the report, or such parts thereof as he deems appropriate and relevant to employees covered by the fund, to contributing employers or to any labor organization which is a party to an agreement establishing the fund. Presumably the report on file with the trustees is open to the same outside inspection, subject to the same restrictions, as is the commissioner's copy.

It is anticipated that the various funds will be able to prepare the annual report directly from their books and records for the year ending December 31 even though they may be on a different fiscal year basis. We propose to avoid including in the form any requirement for information that must be obtained from an insurance company which may provide insurance to the employees covered by the fund. Information of that type will be required in the annual statement which is due to be filed June 1.

Annual Statements by Insurance Companies, Service Plans and Corporate Trustees and Agents

Each of these agencies must furnish to employee welfare funds such information as will enable them to comply with the filing requirements of the Act. The information must be furnished by May 1. This would be too late for the annual report which must be filed by March 1 but would be early enough to permit inclusion in the annual statement of the fund.

Some items of information such as the experience under insurance contracts and commissions and allowances in connection with such contracts can be obtained only from the insurance companies in the case of insured plans. We feel that it would create undue pressure on the

(More on page 43)

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companies and on the trustees to require the companies to furnish such information to the trustees soon enough to enable them to complete and file their annual reports with the commissioner before March 1.

Employer Payments to Employee Welfare Funds

The first reaction to the requirement that the employer must report to the commissioner "within 3 months after making the first payment after the effective date of this chapter" is that such report would be of no particular significance. On second thought, it becomes clear that this affords a means of locating funds that did not register. This initial report and the subsequent annual filings by employers will prove to be an effective means of assuring filing of proper registration, annual reports and annual statements by the trustees of welfare funds. Unless the trustees comply with the requirements, "the commissioner shall so notify the employer and the employer shall make no further payments . . . until the employer receives further notification from the commissioner stating that the trustees have complied with the provisions in this chapter."

Regulations Under Other Laws

The exemption that the commissioner may grant under this provision is available only to welfare funds located outside Wisconsin but which receive annual payments of \$2,000 or more from employers in this state or which cover 25 or more persons employed in this state. The exemption extends only to the examination requirement and is conditioned upon the actual, effective examination by the authorities of other states or the federal government.

We cannot be very optimistic about the possible relief that this provision will give our department. The other states which supervise employee welfare funds at present deal only with funds which are jointly operated by trustees representing employers and employees, respectively. As the unilaterally-operated funds have upwards of 90% of the assets of all of the employee welfare funds, it will be obvious that we probably will have to make examinations of a considerable number of funds that are not supervised by other states. In making such examinations, we will not have a joint operation with examiners of other states such as we have under the Zone system of examination of insurance companies under jurisdiction of the N. A. I. C.

Our plan to use accounting firms without regard to our civil service rules is expected to avoid much

travel expense as we will be enabled to employ accountants with headquarters near the office of the welfare fund.

Compliance, Enforcement and Penalties

This section is the longest one in the law and covers several more or less independent provisions which may be classed as follows:

1. (a) Trustees are declared to be responsible in a fiduciary capacity for money and property under their authority.
- (b) All income to and disbursements from an employee welfare fund must be by check, bank draft, postal money order or other written method of transmitting money or its equivalent.
2. Trustees, employer and employee organizations, officers, agents, and employees of any of them are prohibited from receiving any commission, loan, service, or any other thing of value from any insurer in connection with the negotiation of any contract to insure the benefits provided by any employee welfare fund. They are also prohibited from receiving any such payments from the employee welfare fund. They may be reimbursed for expenses properly incurred by
(More on page 44)

Corporations are usually sure their accounting is in order but have C.P.A.'s check it.

Corporations are usually sure their insurance is in order but they should have it checked. The same logic applies to both.

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Supervision

(From page 43)

- them in connection with their official duties and they are not deprived of any of their benefits if they are covered by the fund.
3. Employee welfare funds are prohibited from making political contributions.
4. (a) The penalty of a \$5,000 fine or imprisonment of 5 years, or both, applies for:
- (1) violation of or failure to comply with the provisions of the Act or the rules or regulations promulgated thereunder
 - (2) making a false statement knowing it to be false
 - (3) knowingly failing to disclose a material fact in any registration, examination, statement or report required by the Act or by the rules or regulations promulgated thereunder.
- (b) A penalty of a \$10,000 fine or imprisonment of 5 years, or both is provided for any person who embezzles, person who embezzles, steals or unlawfully and wilfully takes any money, funds, securities, premiums,

credits, property, or other assets of any employee welfare fund, or of any fund connected therewith.

5. The commissioner may report any shortage due to wrongful or negligent act or omission by a trustee or other person to the attorney general who may start an action for recovery.

Injunctions

The Act authorizes the commissioner to apply to a court for an injunction if the conduct of the trustees or other persons threaten or are likely to cause irreparable damage to a welfare fund, persons covered by the fund, or to contributing employers. It also provides that the commissioner shall apply for an injunction against any employer who continues to make payments to a welfare fund after being notified by the commissioner that the trustees failed to register or otherwise fail to comply with the provisions of the Chapter.

An injunction may enjoin violations which endanger any welfare fund and may prevent continued payments by an employer. The court is also empowered to make such further orders as may be necessary to protect the interests of employers and employees in respect to further payments to the fund by employers.

Advisory Council

The Act provides that the commissioner shall appoint an advisory council of 7 members and prescribes that 2 shall be representatives of management, 2 shall be representatives of employees and 3 will be representatives of the general public from the fields of banking, economics, and insurance. I have not made these appointments, but have very capable individuals in mind for each of the memberships.

The council will undoubtedly be very helpful as it is to advise the commissioner with respect to carrying out his functions under the Act and is to review the administration of its provisions and make recommendations to the commissioner for amendments that it deems necessary in the public interest. Meetings of the council must be held at least once a year.

Summary

I believe you will agree with me when I say that my department has been handed a very big job on rather short notice. We are doing the best that we can to get a sound system set up to carry out the legislative intent of this enactment which is the protection of employee welfare funds. Numerous questions have been received and we anticipate that they will continue to come in. The adoption of rules and regulations by me pursuant to the Act would probably take care of many of the situations that are now in doubt, but we expect that there are still other circumstances that have not yet been brought to our attention which should be considered in drawing up rules and regulations.

Our thought is that we can well afford to sacrifice some speed for a more thorough consideration of the problems involved in the adoption of rules and regulations of such far-reaching consequence as we have here. This is a pioneering Act in its application to unilateral as well as bi-lateral funds.

(Speech before a meeting of the Wisconsin Insurance Buyers, Inc. at Milwaukee, Wisconsin, October 24, 1957).

A Day to Remember

Semi-Annual Meeting

of

The American Society of Insurance Management, Inc.

May 5, 1958

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Guest Speaker at Dinner Meeting:

Joseph A. Navarre

President of The National Association of
Insurance Commissioners

Boiler & Machinery (From page 10)

quential Damage; the type of the existing Fire Extended Coverage contract as respects the explosion of unfired pressure vessels; the possible use of retrospective rating which we call the Premium Adjusted Plan. Perhaps the most important point that will have to be decided is: Are you going to fit this plant into your present program for all your other plants or will this plant have to stand on its own feet, absorb its own losses and have its own individual program.

Direct Damage

In Direct Damage, the size of the deductible should be the amount of dollars of the first loss that you feel you can economically stand yourself and the intelligent use of deductibles is usually warranted when you compare probable losses to premium savings. Most risks have set a pattern of losses which can be studied over a period of years. That study will afford a basis for making a fairly accurate choice of the size of deductible which will give optimum saving. If fairly large deductibles are chosen, you must then consider what objects are being insured so as to avoid paying a premium, however small, to insure, for example, a number of small or medium size motors or transformers for which the largest possible loss could not equal the deductible. The approximate replacement cost of such smaller objects can be determined and a

Blanket-Group wording can be worked out to exclude such objects.

You may well ask at this point, what about the possible business interruption losses that could be caused by such objects left out of Direct Damage coverage for, in general, objects must be insured for Direct Damage in order to have Use and Occupancy apply. The possibility of this can be easily checked at the plant level and often you will find that it would be cheaper to buy a few spares than to pay premium for a number of such objects. In making such a study, you must not overlook the fact that most pressure vessels and certain types of machinery must be insured regardless of a deductible because of the extensive damage their failure would cause to buildings, contents and other equipment, even though their replacement cost itself might be less than the deductible amount chosen. The choice of a Direct Damage deductible need not be guesswork and, when chosen properly, it can be applied to new or old plants alike, regardless of type.

A deductible under Business Interruption insurance is usually applied by delaying commencement of the insurance company's liability by one, two, three or more days. In this way you absorb a fairly definite amount of the first loss, with important premium savings, but insure the catastrophe losses which would result from prolonged shutdown.

Some buyers find by experience or conclude from a study that their

plant will not sustain a serious Use and Occupancy loss for the first few days after an accident has occurred. They choose a delayed midnight. They may be gambling a little bit as to what time of day the loss may occur and how much true loss may be experienced in the first few days. However, they will absorb, at worst, an amount of loss equal to only a few times their daily earnings and fixed charges.

Other buyers feel that a delayed commencement of liability is too uncertain as to actual dollars of first loss so that they choose to buy a dollar Use and Occupancy deductible which is very definite regardless of the length of shutdown. Business concerns of the size represented by your people are certainly able to self-insure some part of the first known loss with worthwhile savings. If you are not now using deductibles to some extent, you should study them, for there is an almost infinite variety of plans available.

Extended Coverage

A second point in the basic framework of an insurance plan is the type of Extended Coverage which will be provided in your Fire policy for this new plant. Obviously, before a proper survey can be made it must be known whether you will have, for example, Extended Coverage No. 3 or No. 4. In No. 3 few, if any, unfired pressure vessels will be covered for explosion because of pressure or other limitations in the form whereas un-

(More on page 46)

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Boiler & Machinery

(From page 45)

der Extended Coverage No. 4, and under some other forms, explosions of the vessels are covered without limitations as to their pressures or contents. Even though you now depend on Extended Coverage for pressure vessel protection in your other plants, this new plant may be in a State which requires inspection of them by licensed Inspectors. Therefore, the survey must develop for you what objects should be insured for this reason. It might be advisable to insure most vessels in your Boiler policy for the benefit you will get from the inspection service, regardless of Extended Coverage protection or State Laws.

Also your study might reveal that pressure vessels in this plant are such that even a minor failure such as a cracking or splitting open of a seam would cause extensive loss. In such case pressure vessels should be insured in the Boiler policy for its broader protection. Certainly, the facts as to the type of Fire policy protection from an explosion of pressure vessels, and your feelings toward pressure vessel coverage must be well known to the person making the survey in order that Blanket wording can be tailor-made to fit this new plant.

Premium Adjustment Plans

For the past several years, Boiler and Machinery underwriters have been using Premium Adjustment Plans, which are actually a form of retrospective rating. Such plans have made possible very important savings for many types of risk. Even though you have, through study of your existing policy, determined that such plans are not a good buy, it might be that this form of underwriting would work well for this new plant due to its being of a different type or because you may buy a different form of program. If this new plant produces substantial premium and retrospective would seem to be indicated, you might be warranted in setting up this new plant in a separate policy so that retrospective can be applied.

Only after these broad aspects of coverage have been decided are we ready to actually survey the plant.

If it is an established practice with you to apply for each additional plant exactly the same details of coverage as at other plants or buildings, the survey of this new plant would be a very simple job. You would instruct your broker or company to just apply existing coverages to it. From a Boiler and Machinery standpoint, this might be acceptable for a mercantile type of business in which there may be, for example, a hundred stores and no variety of exposures expected in any of them. However, this approach would be quite dangerous for most businesses because this new plant might have, unknown to you, some new or quite different exposures. It would be advisable that you instruct the person making the survey to approach it with an open mind, disregarding the details of your present policy as to objects insured and other coverages afforded and come up with an individual approach, staying, of course, within the basic framework just discussed.

Inspectors

Although insurance company Inspectors or Engineers may be used to make preliminary surveys to list objects by classes, you should insist that someone who knows underwriting as well as engineering study the plant and work up a tentative proposal for you. If possible, this person should be the individual who will visit the plant with you and service the program in the future.

Even though final decisions as to coverage are to be made by you at your office, a visit to the plant and a discussion of exposure with engineers and production people will be of great assistance to you. If this new plant is a separate division of your company with a varying degree of autonomy in which local engineers and management decide on coverages and premiums and have to stand their own losses, it is especially essential that you have a meeting at the plant.

Therefore, you should, if possible, break into your busy schedule and spend at least a day or two in the plant with the person who has surveyed it. Going together, you would undoubtedly start in the boiler room to check the importance of steam, electric power if generated, compressed air and other power supplied from the boiler plant. As you go through or around the plant, you would check Direct Damage exposures from a catastrophe standpoint in order to set up proper limits of insurance based on building and equipment replacement values which might be destroyed by an accident. If you have large turbine generators, be sure to find out what their replacement cost would be, as today this value may exceed the limit which might be necessary in case of a boiler explosion. If yours is a paper mill, watch the location of digesters for possible maximum exposure. If yours is a chemical company, you would want to check into the exposures of chemical process vessels if the plant engineers and chemists verify a possible combustion or chemical reaction explosion potential. It is certainly easier to see exposures and decide on top limits at a plant than while sitting in your office looking at a report.

You would want to check facilities for incoming electric power, if purchased, asking questions about transformer capacity, availability of spares and history of power failures if the plant is not a brand new one. If a preliminary survey has been made by someone familiar with power equipment, your survey is mainly a matter of personal checking and an opportunity to become familiar with major equipment and processes.

Selling Top Management

I suspect one of your most difficult problems is *selling* top management on the need of coverages you are going to recommend and the premiums that have to be paid. You do not have to know, for example, that we rate a certain vital compressor in a single line production

(More on page 47)

Boiler & Machinery (From page 46)

process as a separately driven reciprocating compressor or whether it is an internal combustion type compressor. You may want to know, however, and be able to discuss the fact that you do have such a vital object requiring considerable premium, that it was especially designed for your installation, that parts for repair are not stocked but must be made on order, and that six to nine months would be the probable time required to effect that repair.

After visiting the power plant, you would undoubtedly follow production lines through the rest of the plant looking for what might be called the Achilles Heel, the machinery object or objects, the department or process, the failure of which would cause serious plant shutdown. Your attention would be called to certain production equipment whose failure would not do other damage and for which spares are provided. You would probably make a note not to insure such objects if much premium is required.

All of this may sound difficult and time-consuming but it really will not be so if someone familiar with Boiler insurance underwriting has preceded you in the plant, has worked up a rough outline of coverages and, above all, acts as your guide and interpreter.

The next step I suggest is possibly the most important one and has worked well for many insurance managers. While at the plant, arrange for a meeting with the manager, a production man, an engineer, a chemist or anyone else most familiar with equipment and processes. Before this meeting you and the person assisting you can make up a tentative list of boilers, pressure vessels and machinery objects by classes. You would have notes as to approximate premiums for Direct Damage and Business Interruption coverages, noting the objects you believe should be insured and those on

which you can safely assume your own risk. At the meeting you would bring up for discussion each class of object, asking for opinions as to need for insurance.

The plant engineer would speak for or against insurance on transformers, switchboards, compressors and auxiliary turbines and such equipment depending on conditions such as spares, public utility connections, etc. Because you would have approximate premium charges to quote, you could guide such men, who naturally do not know details of insurance, into making sound decisions.

You would check carefully *where* the product of this plant will go to be sure to tie this plant into your overall Business Interruption coverage properly.

I have always thought it unfair to plant men to have a proposal made up, listing equipment, showing premiums for insurance, and then mail that to a plant for their decision. In most cases they do not know enough about coverages afforded or how premiums are made up, and they lack knowledge of many other facts necessary for proper decisions. However, if you sit around a table and help them, together you can work up a fine program. This is why I consider this meeting as the key step in program development. Also as a result, plant personnel have a much better idea of their own insurance program so they can assist you later in setting up claims or providing you with proper Use and Occupancy report of values.

I am sure that those of you who have had such meetings know that, when it comes to determining U. & O. limits, some pretty hot arguments get started between production men and engineers as to how important certain objects are and how long it might take to repair them. If plant personnel claim unbelievable ease in replacing equipment or, at the other extreme, if they claim great difficulty, the Boiler insurance man with you might be able to help clarify such situations by citing

actual cases in other similar plants.

At such a meeting general agreement can be expected on perhaps 75% of a program. After returning to your office and with the help of your Boiler specialist, you can then work up a detailed report which would confirm decisions already made with costs involved and ask for decisions on other coverages on which additional facts have to be obtained. This final report would be directed to top management or plant management depending on who has final responsibility. Experience proves that when a program has been decided in this manner, plant people will cooperate with you very well in the future as it is also *their* program.

If your concern has only one, two or three major plants, you can probably afford the time to go through a limited version of this procedure each year to be sure your program is kept up to date for changes in equipment and plant processes. Above all, you should try to see that your Use and Occupancy coverage and limits fit increased or reduced business activity. Yearly meetings at the plant level are of great assistance in re-educating plant personnel in the administration of the program from their level, especially in spotting proper claims when accidents occur.

If you are responsible for insurance in a large number of plants or buildings, please do not consider me unrealistic in my suggestions. The full procedure suggested would be necessary for only major production units. In most cases the largest number of locations have relatively little power equipment, being finishing, assembling or distribution plants or warehouses. Decisions as to the extent of insurance in such plants would be relatively simple and would not require your checking at a plant level.

(Summary of a speech made before New York Chapter of the American Society of Insurance Management, Inc., January 1958).

Liability Insurance — broker
(From page 39)

than is presently available because of the dissipation of such large sums through the medium of litigation costs. You can immediately recognize many problems which would exist in the attempted adoption of such a system, one of which would be the argument that such a plan would provide reimbursement to all injured people rather than, theoretically, only to those people who are injured without contributory negligence on their part, as theoretically is the result obtained under our existing system. It is further reasoned that such a system would impose upon the motorist the sole cost of providing full aid protection and that the pedestrian who is not the owner of an automobile would obtain a "free ride." However, it is further reasoned that this would be a small surcharge because of the considerably greater money available for the payment of claims.

We must meet the many problems present in our existing system and we, in this business, must provide as a public duty those contracts of indemnity which are best suited to meet these problems.

(Presented as part of a panel discussion entitled: "Liability Insurance for Tomorrow's Needs," before the second annual Insurance Buyers' Conference, sponsored by the Southern California Chapter of the American Society of Insurance Management, Inc.

Attend Meeting in Detroit

Peter A. Burke, Managing Director of the American Society of Insurance Management, Inc. and Charles N. Thiele, Regional Vice President of ASIM, were guests at a dinner meeting on February 19th of the Insurance Buyers Association of Detroit, ASIM.

Mr. Burke also visited with Chicago Chapter, ASIM at its meeting on February 20th.

Insurance at the Crossroads
(From page 26)

is a real one. The bureaucrats still seem to be in control. I was present at a dinner where the head of the Anti-Trust Division of these bureaucrats bragged with great gusto that there were eighteen heads of corporations at the speaker's table against whom he was bringing suits. Suits generated by the idea they were big corporations and therefore there must be something wrong about them.

Bragged how he had made one corporation give up a tremendous portion of its operations and thus permitted twenty-six thousand small businesses to be started to perform this operation. He did not tell how many of the twenty-six thousand operations had failed. Nor, what was more important, did he tell how inefficient and inconvenient it was for the public, both in dollar and in results obtained, to deal with these small operators.

The American way of doing business still goes back to the premise that if you can build a better mousetrap than anyone else the world will beat a path to your door. The maker of the best mousetrap is bound to become a large operation. This is a sin in the eyes of these powerful bureaucrats in Washington. This is one of the fears of the insurance business — that they will become too big and too successful, so incite the attention of the Federal Government who might decide to take over the insurance business as a whole or put it under such tight wraps that freedom of operation would be impossible.

Fear of the State Insurance Department and the Insurance Commissioner seems to be one of the greatest hurdles to proper operation that exists today. There is no doubt the Insurance Commissioners feel their great power beyond reasonable proportions. They interpret the laws that create their authority far beyond the meanings of the words. Ofttimes their reasoning can be traced to a desire to be able to brag they have saved the public money, or some other basis from which they can derive personal political advantage — either

by accommodating special interests who will be grateful or because public approval might promote them to more powerful or lucrative political positions.

Insurance companies should be permitted to charge an adequate premium for risks assumed. The Insurance Commissioners do not have to fear these will be excessive, as there is plenty of competition existent to control this feature. It will be very interesting to see how the recent appeal to the courts by insurance companies for adequate automobile rates in New York State comes out. If the insurance companies are successful, it will be a big step towards curtailing the arbitrary pronouncements of the Insurance Commissioners.

Fear of being charged with discrimination between risks is another serious problem. Insurance Underwriters are well informed to the extent they know a good risk from a bad risk. Yet, they are writing risks they know are bad or require more adequate premium, because they fear to be accused of discrimination. Such an attitude should be unjustified. Risks that do not qualify for the premium at which the contract is written should be declined.

Another ill of the insurance business today is the filed rate and rule book operation. The era of individual underwriting and discretion is gone, and everything must be done by the rule book and the filed rate. This method of operation can never be successful, and its ills are now catching up, with a result that practically all lines are souring. A method of flexible underwriting and rating must be found. Insurance companies have been writing everything they can get without selection believing the rule book and published rates will do their underwriting for them. They forget tariff rates are averaged experience, and if you do not select you will end up with business that produces the bad part of the average and the good has been skimmed off by competition. Underwriting and rating by rule book and filed rates can no more be successfully followed than a doctor can treat his

(More on page 56)

**Julius S. Wikler To
Succeed Leffert Holz
As N. Y. Superintendent**

Leffert Holz, who for three years has been Superintendent of Insurance of New York State, will retire from the Department March 15 at which time he will start devoting most of his time to private practice of law. He will continue in his post of president and chairman of Mortgage Facilities Corporation. This was created by legislative direction to encourage residential mortgage financing in economically depressed residential urban areas of New York State. It is a public spirited organization which pays no salaries to its officers. Its members include leading insurance companies and banks.

Mr. Holz for some years has been a member of the law firm of Holz & Schrier, 6 East Forty Fifth Street, New York City. It specializes in surrogate work, taxation work and condemnation proceedings.

Succeeding Mr. Holz as Superintendent of Insurance will be Julius S. Wikler who is now First Deputy Superintendent of Insurance.

A native New Yorker Mr. Wikler is a graduate of College of the City of New York, class of 1927, and received his law degree from Harvard Law School in 1930. He was admitted to the bar in 1931 and belongs to a number of bar associations.

**Dallas-Ft. Worth Area Chapter,
ASIM, Elects New Officers**

T. T. Redington, Jr., of Dresser Industries, was elected president of Dallas-Ft. Worth Area Chapter, ASIM, succeeding Mr. D. C. Morris, who was recently elected a Regional-Vice President of the American Society of Insurance Management, Inc.

Serving with Mr. Redington are: D. H. Mackaman, Campbell, Taggart Associated Bakeries, Inc., as vice-president; Harold Palmer, The Frito Company, as treasurer; and Miss Annetta M. Johnson, The Murray Company of Texas, Inc., as secretary.

**Central Illinois Chapter
To Hold Seminar**

The Fourth Annual Insurance Seminar, sponsored by the Central Illinois Chapter of the American Society of Insurance Management and Illinois Wesleyan University, will be held at the Memorial Center on the campus of Illinois Wesleyan University, Bloomington, Illinois, on April 25, 1958

The program follows:

9:00 Coffee Hour and Late Registration

9:30 Morning Session

1. Chairman: Carl Hutchens, Insurance Manager, Caterpillar Tractor Co., Peoria

Speaker: Robert E. Sink, Executive Assistant to the Management, Factory Insurance Association, Chicago. — "Fire Prevention and Fire Protection"

2. Chairman: Elias Rolley, Comptroller, Funk Bros. Seed Co., Bloomington

Speaker: Robert Dunn, Partner, Dunn and Dunn, Bloomington, — "Pension Planning for Small Groups"

12:15 Luncheon Session

Chairman: R. G. Tucker, Assistant to the Treasurer, A. E. Staley Mfg. Co., Decatur, President, Central Illinois Chapter, ASIM

Speaker: Frazier S. Wilson, Stewart, Smith (Illinois) Inc., Chicago, — "Buying Insurance"

2:00 Afternoon Session

1. Chairman: Frank Sutherland, Assistant Treasurer, Illinois Power Company, Decatur

Speaker: Anthony W. Fitzgerald, Counsel, Underwriting Printing and Publishing Co., New York, — "Care Custody and Control"

2. Chairman: David Covey, Insurance Manager, LeTorneau-Westinghouse Co., Peoria

Speaker: Lyle W. Allen, Partner, Heyl, Royster & Voelker. Peoria, — "Bodily Injury Awards — The Defense Viewpoint"

CHAPTER DIRECTORY

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

ATLANTA CHAPTER

Meetings—Fourth Wednesday of each month.
President—B. W. Rainwater, Georgia Power Company, Atlanta
Vice-Pres.—William H. Quay, Jr., The Coca-Cola Company, Atlanta
Secy.-Treas.—W. Ray Walker, Citizens & Southern National Bank
 P. O. Box 4899, Atlanta 2, Georgia

CENTRAL ILLINOIS CHAPTER

Meetings—2nd Thursday each month. Bloomington, Illinois. Dinner: 6:30 P.M.
President—R. Gehl Tucker, A. E. Staley Manufacturing Co., Decatur
Vice Pres.—A. A. Baker, Funk Brothers Seed Company, Bloomington
Secy.-Treas.—Robert Leshner
 Funk Brothers Seed Co.
 P.O. Box 911
 Bloomington, Illinois

CENTRAL MASSACHUSETTS CHAPTER

Meetings—(to be announced)
President—Richard Prouty, The Norton Company, Worcester, Mass.
Treasurer—Robert K. Griffith, Riley Stoker Corporation, Worcester, Mass.
Secretary—George M. Betterley
 Betterley Associates
 332 Main Street
 Worcester, Mass.

CHICAGO CHAPTER

Meetings—3rd Thursday of each month. September through May. Dinner. 6:00 P.M.
President—Richard E. Blakley, Helene Curtis Industries, Chicago
Vice Pres.—E. R. Zimmerman, American Bakeries Company, Chicago
Treasurer—G. J. Burns, Continental Ill. National Bank & Trust, Chicago
Secretary—Ann Auerbach, Goldblatt Bros., Inc.,
 333 South State St., Chicago 4, Illinois

CINCINNATI AREA INSURANCE MANAGERS

Meetings—1st Wednesday each month, except July and August. Luncheon 12:00 Noon.
President—A. J. Haberer, The Procter & Gamble Company, Cincinnati, Ohio
Vice-Pres.—R. T. Hoeweler, Acme-Newport Steel Corporation, Newport, Ky.
Treasurer—P. K. Dykes, The Ohio River Company, Cincinnati, Ohio
Asst. Treas.—W. H. Hiller, The Philip Carey Manufacturing Co., Lockwood, Cincinnati, Ohio
Secretary—H. A. Newman
 Andrew Jergens Company
 2535 Spring Grove
 Cincinnati, Ohio

DALLAS-FORT WORTH AREA CHAPTER

Meetings—3rd Thursday each month. Luncheon 12:00 Noon
President—T. T. Redington, Jr., Dresser Industries, Inc., Dallas, Texas
Vice Pres.—D. H. Mackaman, Campbell, Taggart Associated Bakeries, Inc., Dallas, Texas
Treasurer—Harold Palmer, The Frito Company, Dallas, Texas
Secretary—Miss Annetta M. Johnson, The Murray Company of Texas, Inc.
 3200 Canton Street
 Dallas, Texas

DELAWARE VALLEY CHAPTER

Meetings—3rd Monday each month. Dinner. 6:30 P.M.
President—F. Walter Norcross, The Budd Company, Philadelphia
Vice-Pres.—Howard C. Giles, E. I. DuPont de Nemours & Company, Inc., Wilmington, Delaware
Treasurer—David D. Day, American Viscose Corporation, Philadelphia
Asst. Secy.—W. L. Higgins, United Engineers & Constructors, Inc., Philadelphia
Asst. Treas.—E. C. Jones, Jr., Philadelphia Electric Company, Philadelphia
Secretary—Charles R. Garton, Atlantic City Electric Company
 1600 Pacific Avenue
 Atlantic City, N. J.

INSURANCE BUYERS ASSOCIATION OF DETROIT

Meetings—3rd Wednesday each month. Dinner. 6:00 P.M.
President—W. A. Johnston, Chrysler Corporation, Detroit
Vice Pres.—F. L. Kiernan, Michigan Consolidated Gas Company, Detroit
Treasurer—N. H. Siegel, Detroit Steel Corporation, Detroit
Secretary—E. D. Damon,
 Parke Davis & Company
 Joseph Campau at River
 Detroit 32, Michigan

HOUSTON AREA INSURANCE BUYERS ASSOCIATION

Meetings—2nd Wednesday each month. Luncheon. 11:30 A.M.
President—Jack T. Campbell, Tennessee Gas Transmission Company, Houston
Vice Pres.—C. L. Foley, Humble Oil & Refining Company, Houston
Treasurer—Raymond O. Horn, Quintana Petroleum Corporation, Houston
Secretary—William D. Suhr,
 Bank of the Southwest
 P.O. Box 2629
 Houston, Texas

MARYLAND CHAPTER

Meetings—3rd Thursday each month at 6:30 P.M. Sept.-June
President—C. F. Herting, Greenspring Dairy, Inc., Baltimore
Vice-Pres.—Jesse F. Little, Mercantile Safe Deposit & Trust Company, Baltimore
Secy.-Treas.—Dorothy Graff
 L. Greif and Brother, Inc.
 401 Homeland Avenue,
 Baltimore 12, Maryland

MINNESOTA CHAPTER

Meetings—4th Tuesday of each month. Dinner, 6:30 P.M.
President—Howard Weber, Minnesota Mining & Manufacturing Co., St. Paul
Vice-Pres.—Robert S. Johnsen, St. Paul Terminal Warehouse Co., St. Paul
Secy.-Treas.—William McCabe III
 The McCabe Company
 374 Grain Exchange
 Minneapolis 15, Minn.

MONTREAL INSURANCE BUYERS ASSOCIATION

Meetings—3rd Thursday October through May. Luncheon, 12 Noon.
President—J. G. Harper, Northern Electric Company, Limited, Montreal.
Vice-Pres.—H. H. Cowan, Steinberg's Limited, Montreal.
Secy.-Treas.—Glen Buchanan—The Shawinigan Water & Power Company,
 600 Dorchester St. West
 Montreal, Canada

NEW YORK CHAPTER

Meetings—4th Thursday of each month, except July and August: Luncheon, 12:20 P.M.
President—H. Stanley Goodwin, McKesson & Robbins, New York
1st Vice-Pres.—Frank Hornby, Jr., Ebasco Services Inc., New York
2nd Vice-Pres.—William J. Burkett, American Machine & Foundry Company, Brooklyn, N. Y.
Treasurer—J. M. Southwick, Ethyl Corporation, New York
Secretary—Robert B. Schellerup, Union Bag-Camp Paper Company
 233 Broadway
 New York, N. Y.

NORTHERN CALIFORNIA CHAPTER

Meetings—3rd Thursday of each month. Dinner, 6:00 P.M.
President—R. W. Humphrey, Southern Pacific Company, San Francisco, Calif.
Vice-Pres.—R. A. Westran, Kaiser Aluminum & Chemical Corp., Oakland, Calif.
Treasurer—Al T. Sparrowe, Fibreboard Paper Products Corp., San Francisco, Calif.
Secretary—J. A. Black, Tidewater Oil Company
 79 New Montgomery Street, San Francisco, California

OREGON CHAPTER

Meetings—1st Wednesday of each month. Dinner, 6:00 P.M.
President—J. Doyle Pigg, Portland, Oregon
Vice-Pres.—L. H. Forsythe, The United States National Bank, Portland, Oregon
Secy.-Treas.—Robert S. Horning, Mail-Well Envelope Co.
 P.O. Box 2151
 Portland, Oregon

SOUTHERN CALIFORNIA CHAPTER

Meetings—3rd Wednesday of each month. Dinner: 6:30 P.M.
President—William E. Reimer, Carnation Company, Los Angeles, California
Vice-Pres.—Philip V. Myers, Lockheed Aircraft Corporation, Burbank, California
Treasurer—Waldo W. Powers, Signal Oil & Gas Company, Los Angeles, California
Secretary—M. J. Bowman, American Potash & Chemical Corp.
 3030 West Sixth Street
 Los Angeles 54, California

VIRGINIA-CAROLINA CHAPTER

Meetings—Please check with Secretary for place and date.
President—A. Grant Whitney, Belk Stores, Inc., Charlotte, N. C.
1st Vice Pres.—Stewart B. Foulke, Jr., Virginia Electric & Power Co., Richmond, Va.
2nd Vice Pres.—B. W. L. Blanton, Larus & Brother Company, Inc., Richmond, Va.
Secy.-Treas.—Mrs. Lydia S. Hammond
 Miller & Rhoads, Inc.
 Richmond, Virginia

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American Art Metals Company
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Atlanta Transit System, Inc.
Citizens & Southern National Bank
The Coca-Cola Company
Delta Air Lines, Inc.
The First National Bank of Atlanta
Georgia Highway Express, Inc.
Georgia Power Company
Georgia State College of
Business Administration
Lockheed Aircraft Corporation
(Georgia Division)
National Manufacture & Stores
Corporation
Southern Airways, Inc.

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Central Illinois Light Company
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Decatur Herald & Review
Funk Brothers Seed Company
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Illinois Power Company
Illinois Wesleyan University
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Keystone Steel & Wire Company
LeTourneau-Westinghouse Company
Mississippi Valley Structural Steel Co.
Mueller Company
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Steak & Shake
Veatch Business Service

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Geometric Tool Company Division
Greenfield Tap & Die Corporation
Draper Corporation
Fitchburg Paper Company
The Heald Machine Company
Massachusetts Life Assurance Co.
Morgan Construction Co.
Norton Company
Package Machinery Company
Riley Stoker Corp.
Simonds Saw & Steel Co.
State Mutual Life Assurance Co. of
America
The Vellumoid Company
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Motorola, Inc.
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National Tea Company
Natural Gas Pipeline of America
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Pabst Brewing Company
The Peoples Gas Light & Coke Co.
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Pullman Standard Car
Manufacturing Co.
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United States Gypsum Company
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CINCINNATI

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Armco Steel Corporation
Bardes Corporation
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Burger Brewing Company
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The Duriron Company, Inc.
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The Andrew Jergens Company
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The Kroger Company
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The Nivison Weiskopf Company
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Queen City Chevrolet Company
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The Sorg Paper Co.
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DALLAS-FT. WORTH

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Campbell Taggart Associated Bakeries,
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Chance Vought Aircraft, Inc.
Coca-Cola Bottling Company
Collins Radio Co. (Texas Division)
Dallas Power & Light Co.
Dearborn Stove Company
Dresser Industries, Inc.
The Frito Company
General American Oil Co. of Texas
Gifford-Hill & Co., Inc.
Intercontinental Mfg. Company, Inc.
Lone Star Gas Company
Lone Star Steel Company
Magnolia Petroleum Company
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Otis Engineering Corp.
Dr. Pepper Company
Southern Union Gas Company
Sun Oil Company
Temco Aircraft Corporation
Texas Automatic Sprinkler Corp.
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DELAWARE VALLEY

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Atlantic City Electric Company
The Atlantic Refining Company
Bestwall Gypsum Company
The Budd Company
Best Markets, Inc.
Campbell Soup Company
Catalytic Construction Company
Certain-teed Products Corporation
E. I. duPont de Nemours & Co., Inc.
Fidelity Mutual Life Insurance Co.
Food Fair Stores, Inc.
Keasbey & Mattison Company
Kaiser Metal Products, Inc.
Mutual Rendering Company, Inc.
Penn Fruit Company
Penn Mutual Life Insurance Co.
Pennsalt Chemicals Corporation
Philadelphia Electric Company
The Philadelphia Saving Fund Society
Pioneer Chemical Works
Publicker Industries
Radio Corporation of America
R. M. Hollingshead Corporation
Scott Paper Company
S.K.F. Industries, Inc.
Smith, Kline & French Laboratories
Sun Clothes, Inc.
United Engineers & Constructors, Inc.
The United Gas Improvement Company

DETROIT

Allen Industries, Inc.
American Blower Corporation
American Motors Corporation
Bull Dog Electric Products Company
Burroughs Corporation
Chrysler Corporation
Darin & Armstrong, Inc.
Davidson Brothers
Detroit Gasket & Manufacturing Company
Detroit Harvester Company
The Detroit Edison Company
Detroit Steel Corporation
Ex-Cell-O Corporation
Fenestra, Inc.
Ford Motor Company
Freuhauf Trailer Company
Gar Wood Industries, Inc.
General Motors Corporation
Goddard & Goddard Company
Great Lakes Steel Corporation
(Division of National Steel Corporation)
The J. L. Hudson Company
Hygrade Food Products Corporation
The Jam Handy Organization, Inc.
Kelsey-Hayes Wheel Company
S. S. Kresge Company
Lyon Incorporated
McCord Corporation
McLouth Steel Corporation
Michigan Bell Telephone Co.
Michigan Consolidated Gas Company
Michigan Wisconsin Pipe Line Co.
Micromatic Hone Corporation
The Murray Corporation of America
National Bank of Detroit
Parke Davis & Company
Pfeiffer Brewing Company
Square D Company
The Udylite Corporation
The Upjohn Company
The Valeron Corporation
Verners Ginger Ale, Inc.
Woodall Industries, Inc.
Wyandotte Chemicals Corporation

HOUSTON

Ada Oil Company
American Warehouses, Inc.
Anderson Clayton & Company
Bank of the Southwest
Baroid Sales Division of National Lead Co.
Brown and Root, Inc.
Cameron Iron Works, Inc.
Commonwealth Oil Company
Continental Oil Company
Converted Rice, Inc.
The Dow Chemical Co.
Eastern States Petroleum Co. Inc.
Halliburton Oil Well Cementing Co.
Homco
Jefferson Lake Sulphur Company
Magnet Cove Barium Corporation
Perforating Guns Atlas Corp.
Petro-Tex Chemical Corporation
Quintana Petroleum Corporation
Reed Roller Bit Company
River Oaks Corporation
Schlumberger Well Surveying Corp.
Sheffield Steel Division of Armco Steel Corporation
Stewart & Stevenson Services, Inc.
Tennessee Gas Transmission Co.
Texas Manufacturing Association
Transcontinental Gas Pipe Line Corp.
Trunkline Gas Company
Tuboscope Company
Union Oil & Gas Corporation of Louisiana
Union Carbide Chemical Company
J. Weingarten, Inc.
Win Hawkins Drilling Company

MARYLAND

Army & Air Force Exchange Service
The Arundel Corporation
Baltimore Contractors, Inc.
Cafritz Construction Co.
Catalyst Research Corporation
City Baking Company
W. T. Cowan, Inc.
Crown Central Petroleum Corp.
Crown Cork & Seal Company
The Davison Chemical Corporation
The E. H. Koester Baking Co.
Greenspring Dairy, Inc.
L. Greif & Brother, Inc.
Gunther Brewing Co., Inc.
The Hecht Company
Hutzler Brothers Co.
Insurance Buyers' Council
Harry T. Campbell Sons Corp.
Emerson Drug Company
Maryland Shipbuilding & Drydock Co.
McCormick & Co., Inc.
Mercantile Safe Deposit & Trust Co.
Merchants Terminal Corp.
The National Brewing Co.
Office of Naval Material
Department of the Navy
Olin Mathieson Chemical Corp.
Schmidt Baking Co., Inc.

MINNESOTA

Andersen Corporation
Cargill, Incorporated
Coca-Cola Bottling Co. of Minnesota
The Creamette Co.
Curtis 1000, Inc.
Coast to Coast Stores—
Central Organization, Inc.
Flour City Brush Company
Federal Cartridge Corporation
First National Bank of Minneapolis

Fitger Brewing Company
Fullerton Lumber Company
Gamble-Skogmo, Inc.
M. A. Gedney Company
General Mills, Inc.
Green Giant Company
Theo. Hamm Brewing Company
Geo. A. Hormel & Co.
Industrial Aggregate Co.
International Milling Company
Josten Manufacturing Company
Landers-Norblom-Christenson Co.
Land O'Lakes Creameries, Inc.
Maple Island, Inc.
Mayo Clinic
McCabe Company
Maney Bros. Mill & Elevator Co.
Minneapolis Brewing Company
Minneapolis-Honeywell Regulator Co.
Minneapolis-Moline Company
Minneapolis Star & Tribune Company
Minnesota Mining & Manufacturing Co.
Minnesota & Ontario Paper Co.
Munsingwear, Inc.
Nash-Finch Company
The B. F. Nelson Mfg. Co.
Northern Ordnance Inc.
Northrup-King & Company
Northwest Airlines, Inc.
W. S. Nott Company
Owatonna Canning Company
Owatonna Tool Co.
M. F. Patterson Dental Supply Co. of Minnesota
F. H. Peavey & Company
Pillsbury Mills, Inc.
Queen Stove Works, Inc.
Rayette, Inc.
Red Owl Stores, Inc.
Rochester Dairy Cooperative
St. Paul Terminal Warehouse Co.
J. L. Shiely Company
Super Valu Stores, Inc.
Toro Manufacturing Company
Waldorf Paper Products Company
Western Oil and Fuel Company
Winston Bros. Company
Wood Conversion Company

MONTREAL

Aluminum Company of Canada, Ltd.
Associated Textiles of Canada Limited
Atlas Asbestos Company Limited
The Bell Telephone Co. of Canada
The Bristol Aeroplane Co. of Canada (1956) Limited
Canadian Celanese Ltd.
Canadian Industries Limited
Canadian International Paper Company
Canadian Marconi Company
Canadian Pratt & Whitney Aircraft Company, Ltd.
Canadian Salt Co., Ltd.
Consolidated Paper Corporation Limited
Distillers Corporation—
Seagrams Limited
Dominion Bridge Company Limited
Dominion Engineering Works Limited
Dominion Glass Company Limited
Dominion Textile Company Limited
Du Pont Co. of Canada (1956) Ltd.
The Foundation Co. of Canada Limited
Imperial Tobacco Co. of Canada Limited
Northern Electric Company, Limited
Molsons Brewery Limited
Price Brothers & Company, Ltd.
Rolls-Royce of Canada, Limited
Shawinigan Chemicals Limited
The Shawinigan Water and Power Company
Steinberg's Limited
Thor Mills Limited

NEW YORK

ACF Industries, Inc.
Allied Stores Corporation
Amerace Corporation
American Airlines
American Brake Shoe Company
American Broadcasting-Paramount
Theatres, Inc.
American Bank Note Co.
American Can Company
American Chicle Company
American Cyanamid Company
American District Telegraph Co., Inc.
American Gas & Electric Service Co.
American Home Products Corp.
American Machine & Foundry Co.
American Management Association
American Metal Climax, Inc.
American News Co., Inc.
The American Oil Company
Anaconda Company
Anaconda Wire & Cable Company
Arabian American Oil Company
Associated Dry Goods Corp.
Avon Products, Inc.
The Babcock & Wilcox Company
Belk Stores, Inc.
Bell Telephone Laboratories
The Best Foods, Inc.
Bigelow-Sanford Carpet Co., Inc.
Blades & Macaulay
Sidney Blumenthal & Co., Inc.
The Borden Company
Bristol Myers Company
Burlington Industries, Inc.
The California Oil Company
Canada Dry Ginger Ale Co.
John J. Casale, Inc.
Celanese Corporation of America
The Chase Manhattan Bank
Cities Service Petroleum, Inc.
City Stores Mercantile Company, Inc.
Chilean Nitrate Sales Corporation
Climax Molybdenum Company, Division
of America Climax, Inc.
Coastal Oil Company
Coats & Clark's Sales Corporation
The Coco-Cola Export Corporation
Colgate-Palmolive-Peet Company
Columbian Carbon Company
Combustion Engineering, Inc.
Commercial Solvents Corporation
Commonwealth Services, Inc.
Congoleum-Nairn, Inc.
Consolidated Cigar Corp.
Continental Baking Company
Continental Can Company, Inc.
Continental Grain Company
Corporate Advisors, Inc.
Curtiss-Wright Corporation
Daystrom, Inc.
Diesel Vessel Operators, Inc.
Dugan Brothers, Inc.
The Dime Savings Bank of Brooklyn
Dow, Jones & Co., Inc.
Ebasco Services Incorporated
Esso Research and Engineering Company
Thomas A. Edison, Inc.
El Paso Natural Gas Company
Electrolux Corporation
Esso Standard Oil Company
Ethyl Corporation
Federal Paper Board Co., Inc.
The First National City Bank of
New York
The Firth Carpet Company
The Flintkote Company, Inc.
Foster-Wheeler Corp.
Robert Gair Co., Inc.—Division
of Continental Can Company, Inc.
Geigy Chemical Corporation
General Aniline & Film Corporation
General Baking Company
General Dynamics Corporation
General Electric Company

General Foods Corp.
Gibbs & Hill, Inc.
W. R. Grace & Company
Great Lakes Carbon Corporation
Guaranty Trust Company
S. Gumpert Co., Inc.
M. & M.'s Candies, A Division of
Food Manufacturers, Inc.
Hess, Inc.
Hewitt-Robins, Inc.
Hudson Pulp & Paper Corp.
Imperial Paper & Color Corp.
International Business Machines Corp.
Interchemical Corp.
Johns-Manville Corp.
Johnson & Johnson
A. & M. Karagheusian, Inc.
Kearfott Company, Inc.
Kennecott Copper Corporation
Knickerbocker Construction Co.
H. Kohnstamm & Co., Inc.
Lerner Stores Corp.
Lever Brothers Co.
Liggett & Myers Tobacco Co.
Lily-Tulip Cup Corp.
Luckenbach Steamship Company, Inc.
Thomas J. Lipton, Inc.
R. H. Macy & Co., Inc.
McKesson & Robbins, Incorporated
Manufacturers Trust Co.
Merritt-Chapman & Scott Corp.
Metal & Thermit Corp.
Philip Morris Incorporated
Muzak Corporation
National Biscuit Company
National Distillers and Chemical Corp.
National Starch Products, Inc.
The Nestle Company
J. J. Newberry Company
New York Herald-Tribune
Olin Mathieson Chemical Corporation
Otis Elevator Company
Owens-Illinois Glass Company
Pan American World Airways, Inc.
Panaminas Incorporated
S. B. Penick & Co.
Chas. Pfizer & Co., Inc.
Pitney-Bowes, Inc.
The Port of New York Authority
Refined Syrups & Sugars, Inc.
Reliance Manufacturing Company
Republic Aviation Corporation
Research Cottrell, Inc.
Riegel Paper Corp.
Seagram-Distillers Corp.
Shein's Express
Shell Oil Company
Sperry Rand Corporation
Sperry Gyroscope Co.
Standard Oil Company (New Jersey)
J. P. Stevens & Co., Inc.
Sun Chemical Corporation
Sunshine Biscuits, Inc.
Sylvania Electric Products, Inc.
The Texas Company
Tide Water Associated Oil Co.
Union Bag-Camp Paper Corporation
Union Carbide Corporation
United Aircraft Corp.
United Hospital Fund of New York
United Merchants & Manufacturers, Inc.
United Parcel Service
U. S. Industries, Inc.
United States Plywood Corporation
United Whelan Corporation
Universal Pictures Co., Inc.
Vick Chemical Company
West Disinfecting Company
Western Electric Company
Westrex Corporation
West Virginia Pulp & Paper Company
Witco Chemical Company
Worthington Corporation
Yale Transport Corporation

NORTHERN CALIFORNIA

American Trust Company
Guy F. Atkinson Company
Avoset Company
Bank of America NT & SA
Bank of California, N.A.
Bechtel Corporation
California & Hawaiian Sugar Refining
Corp. Ltd.
California Packing Corporation
California State Dental Association
Coast Service Company
The Crocker-Anglo National Bank
Crown Zellerbach Corp.
Cutter Laboratories
Department of Finance — State of
California
The Robert Dollar Company
The Emporium Capwell Company
Fibreboard Products, Inc.
The First Western Bank & Trust
Company
Foremost Dairies, Inc.
Honolulu Oil Corporation
Kaiser Companies
Kern County Land Co.
Lando Products, Inc.
Lenkurt Electric Company, Inc.
Leslie Salt Company
Long Stores
Matson Navigation Company
Mund, McLaurin & Company
Pacific Gas & Electric Company
Pacific Guano Co.
The Pacific Telephone & Telegraph
Company
Pacific Intermountain Express Company
Pacific Transport Lines, Inc.
Port of Oakland
Rheem Manufacturing Company
Roos Bros., Inc.
Rosenberg Bros. & Co., Inc.
Rudiger-Lang Company
Safeway Stores, Inc.
Southern Pacific Company
Spreckels Sugar Company
Standard Oil Company of California
Swinerton & Walberg Company
Tidewater Associated Oil Company
Transocean Air Lines
The Union Ice Company
Union Lumber Company
United Air Lines, Inc.
University of California
Utah Construction Company
Wells Fargo Bank
The Western Pacific Railroad Company
Wilbur-Ellis Company

OREGON

The Bank of California, N.A.
Blitz Weinhard Company
Columbia River Packers Association,
Inc.
Consolidated Freightways, Inc.
The First National Bank of Portland
HYster Company
Industrial Air Products Co.
Jantzen, Inc.
Lipman Wolfe & Company
Mail-Well Envelope Co.
Fred Meyer, Inc.
Oregon Pulp & Paper Company
Portland Gas & Coke Company
The United States National Bank
West Coast Lumbermen's Association
White Stag Manufacturing Co.
Willamette Iron & Steel Company
Zidell Machinery & Supply Co.

SOUTHERN CALIFORNIA

American Potash & Chemical Corp.
Baker Oil Tools, Inc.
Belridge Oil Company
Blue Diamond Corporation
C. F. Braum & Company
California Bank
Carnation Company
Citizens National Trust & Savings
Bank of Los Angeles
Consolidated Rock Products Co.
Consolidated Western Steel Division of
U. S. Steel Corporation
The Copley Press, Inc.
Douglas Aircraft Company, Inc.
Ehrhart & Associates, Inc.
The Flintkote Company
(Pioneer Division)
The Fluor Corporation, Ltd.
Forest Lawn Company
The Garrett Corporation
Garrett & Company, Inc.
Convair — A Division of General
Dynamics Corporation
Gladding, McBean & Company
Graham Brothers, Inc.
Griffith Company
Hammond Lumber Company
The Alfred Hart Distilleries, Inc.
Hughes Aircraft Company
Kaiser Steel Corporation
Lathford Glass Company
Lockheed Aircraft Corp.
North American Aviation, Inc.
Northrop Aircraft, Inc.
The McCulloch Motors Corp.
Marquardt Aircraft Co.
The May Department Stores Co.
Metropolitan Water District of
Southern California
Pacific Airmotive Corporation
United States Borax & Chemical Corp.
The Ramo-Woolridge Corporation
Richfield Oil Corporation
San Gabriel Valley Water Co.
Santa Fe Drilling Company
Security-First National Bank of
Los Angeles
Signal Oil & Gas Company
Southern California Edison Company
Southern California Gas Co.
Superior Oil Company
Title Insurance and Trust Company
Union Oil Company of California
Von's Grocery Company

VIRGINIA-CAROLINA

American Enka Corporation
Belk Stores, Inc.
Farmers Cooperative Exchanges, Inc.
Larus & Brother Company, Inc.
David M. Lea & Co., Inc.
Miller & Rhoads, Inc.
National Fruit Product Company, Inc.
Noland Company, Inc.
Overnite Transportation Company
RF & P Railroad Company
Reynolds Metals Company
Smith-Douglass Company
Southern States Cooperative
Union Bag-Camp Paper Company
Virginia-Carolina Chemical Corp.
Virginia Electric & Power Company

NON-CHAPTER MEMBERS

Alabama
The Ingalls Iron Works Company, Inc.
Stockham Valves & Fittings, Inc.
Arizona
Hughes Aircraft Company
Arkansas
The Crossett Company
Colorado
Colorado Fuel & Iron Corp.
Connecticut
Connecticut Light & Power Co.
The Kaman Aircraft Corporation
The United States Time Corporation
Whitney Chain Company
Florida
Ryder System, Inc.
Georgia
Kinnett Dairies
H. W. Lay & Company, Inc.
West Point Manufacturing Company
Illinois
Granite City Steel Company
Moorman Manufacturing Company
Sundstrand Machine Tool Company
Indiana
Insurance Audit & Inspection Co.
Iowa
The Rath Packing Company
Kansas
Boeing Airplane Company
(Wichita Division)
The Carey Salt Company
Kentucky
The Mengel Company
Louisiana
The California Company
United Gas Corporation
Maine
Central Maine Power Company
Massachusetts
C. H. Sprague & Son Company
Eastern States Farmers' Exchange, Inc.
Godfrey L. Cabot, Inc.
Howard D. Johnson Company
Pocahontas Fuel Company
Michigan
Hiram Walker & Sons, Inc.
Gerber's Baby Foods
The Dow Chemical Company
Missouri
Anheuser-Busch, Inc.
Gaylord Container Corporation
Division of Crown Zellerbach Corp.
Panhandle Eastern Pipe Line Co.
Laclede Steel Company
Monsanto Chemical Company
Standard Milling Company
The Seven-Up Company
Union Electric Company of Missouri
New York
Columbus McKinnon Chain Corp.
Cooperative Grange League Federation
Exchange, Inc.
Corning Glass Works
George Hall Corporation
Harold J. O'Neil
Mohasco Industries, Inc.
New York State Electric & Gas Corp.
Rochester Gas & Electric Corp.
Twin Coach Company
Will & Baumer Candle Company
New Jersey
Merck & Company Inc.
Ohio
Carling Brewing Company

Diamond Alkali Company
E. I. Evans & Company
Firestone Tire & Rubber Company
The Goodyear Tire & Rubber Company
Hupp Corporation
Ormet Corporation
The American Crayon Company
The General Tire & Rubber Company
The Hoover Company
The Ohio Company
The Parker Appliance Company
The Youngstown Sheet & Tube
Company

Oklahoma

Oklahoma Gas & Electric Company
Sunray Mid-Continent Oil Company

Pennsylvania

Aluminum Company of America
Aircraft-Marine Products, Inc.
Blaw-Knox Company
John F. Casey Company
Crucible Steel Company of America
G. C. Murphy Company
Dravo Corporation
Eastern Gas & Fuel Associates
Equipment & Supplies, Inc.
Fort Pitt Bridge Works
Frick & Lindsay Company
H. J. Heinz Company
Koppers Company, Incorporated
Mathiasen's Tanker Industries, Inc.
Mine Safety Appliances Company
National Steel Corporation
National Supply Company
National-U.S. Radiator Corp.
Neville Chemical Company
Pennsylvania Transformer Division —
McGraw-Edison Company
Pittsburgh Coke & Chemical Company
Pittsburgh Consolidation Coal Company
Pittsburgh Plate Glass Company
Pittsburgh & West Virginia Railway Co.
Rockwell Manufacturing Co.
The Rust Engineering Company
Titan Metal Manufacturing Co.
Weirton Steel Company
Westinghouse Air Brake Company
Westinghouse Electric Corporation
West Penn Power Company

Rhode Island

Berkshire Hathaway, Inc.
Gorham Manufacturing Company
Grinnell Corporation
Hammel-Dahl Company

Tennessee

Hardwick Stove Company

Texas

The Western Company

Virginia

Pocahontas Fuel Company

Vermont

Central Vermont Public Service Corp.
The National Life Insurance Company

Washington

Boeing Airplane Company
Pacific American Fisheries, Inc.
Weyerhaeuser Timber Company

West Virginia

Pennsylvania Glass Sand Corp.

Wisconsin

A. Geo. Schulz Company
Chain Belt Company
Fred Rueping Leather Company
Harnischfeger Corporation
The Kurth Malting Co.
Nordberg Manufacturing Co.

CANADA

British Columbia Electric Co. Ltd.
Legrade Inc.
Western Canada Breweries Limited

NOW WE ARE FOUR . . .

March 1958 marks the fourth anniversary of The National Insurance Buyer, a publication of the American Society of Insurance Management, Inc.

In the past, we have listed the articles which have appeared during the preceding year and we are proud to review the titles and authors of articles which have appeared from March 1957 through January 1958:

1957

March

- Corporate Insurance Objectives at Ford Motor Company
by George W. Goslee
- The Accident-Prone Personality
by Thomas N. Jenkins
- Making Your Insurance Dollar—and Agent—Work for You
by Robert C. Walker
- Credit Insurance
by James G. Sheehan
- The Value of an Insurance Department to a Corporation
by Charles B. Stauffacher
- Umbrella—Kitchen Sink—All Risk
by L. F. Hawley

May

- Who Went to Bat for Multiple Line Underwriting?
Risk Research Institute, Inc.
- Corporate Insurance Management Today and Tomorrow
Joe T. Parrett
- The Variable Annuity Principle in Group Pension Planning
Robert W. Harvey
- “Hold Harmless—a vicious circle”—reprinted from
Risk Research Institute Releases
- Insurance Surveys
by George S. Burrows
- Current Group Insurance Trends
by William N. Seery

July

- Leases and Insurance
by D. H. Mackaman
- Federal Income Tax Problems
by Paul D. Seghers
- The American Consumer Views Insurance
by C. Henry Austin

September

- Fire Protection Policy and Practices in Electric Generating Stations
by Walter O. Randlett
- Fire Protection and Fire Prevention
by Stewart B. Foulke, Jr.
- Will Today's Insurance Cover Tomorrow's Loss?
by Ben D. Cooke
- The American Society of Insurance Management and Insurance Education
by Kenneth Black, Jr.
- Insured Chronological Stabilization Plans
by Orion M. Spaid

November

- Management's Consideration to Income Tax
by N. D. Holman
- How Factory Mutual Rates Are Established
by Ambrose B. Kelly
- Can You Stand A Shock?
by W. F. Cushman
- Rating Schedules of the New York Fire Insurance Rating Organization
by Kenneth O. Smith

1958

January

- Corporate Insurance
by Russell R. Merifield
- How Good is Your Insurance Carrier?
by Chester M. Kellogg
- Boiler and Machinery Insurance
by C. E. Gelhaar
- Candid Views from Mars
by J. Milburn Smith
- Preparation of Cases on Appeal
by Robert E. Coughlan, Jr.
- The Incidence of Taxes upon Insurance
by F. A. Goulette
- Lloyd's of London
by David V. Palmer

We wish to thank the contributors of these articles for the exclusive rights of publication in The National Insurance Buyer and for their courtesy and cooperation in submitting articles, pictures, and biographies.

Insurance at the Crossroads

(From page 48)

patients from a book by mail or telephone.

A large source of the bad loss record is that Fire-trained executives are trying to run the Casualty lines and Casualty-trained executives are in the Fire Underwriting.

Marine Underwriters are trained for all perils. It is no accident the one of the larger companies that is showing a profit has its genesis in Marine Underwriting.

One of the main ills of the insurance business, of course, is cost of doing business. This is so high under present methods that it gives room for devastating competition by companies who have found means of reducing their costs.

Some competition has been able to do this by being able to use the costly statistics produced by the insurance company to produce rates similar facilities for which they pay nothing.

One reason for these high costs is the result of the demands of Insurance Commissioners who are constantly requiring more and more statistics, reports, figures, records, which they feel they need in order to make their profound judgments on the insurance company operations. They are entirely unmindful of the cost to the insurance company and the cost through that source to the public, to whom they say they feel they must have allegiance.

This is one of the items the insurance companies should stand up on their hind legs about and fight back. Record keeping and reports are onerous and expensive. Yet both, the Federal Government and the State Department are constantly ordering business to increase this portion of their operations. Not only insurance business is affected, but all business. It is high time concerted action should be taken to call a halt to these extensions and abuses of both Federal and State authority, and, as to the insurance business particularly, to the Insurance Commissioners' requirements.

Insurance Commissioners should devote their energies to finding

ways to loosen rather than tighten the straightjackets the insurance industry is in. Reduce record keeping liberalize their underwriting discretion. Then, they can honestly brag they have helped reduce the cost of insurance the American Way.

Acquisition cost is one of the main items in most of the large Stock Companies, which seems to be the most difficult to tamper with. Agents are naturally reluctant to accept any lower acquisition costs and are constantly aggressively fighting any tendency to do this. It will take great courage on the part of any one carrier to try to attack this problem and the first one who steps out of line will probably lose a great deal of business because the companies that do not do it will probably steal a great deal of their premium income. However, it is something that must be done if competition is to be met.

One solution of this problem is to put the emphasis on the acquisition of good business as a responsibility of the agent, by paying a smaller commission and a large contingent. This will make the agent interested in the kind of business he writes and also have a tendency to cut down the number of agents to more quality than quantity, because it is the large agent who can benefit by this.

Another burden on the insurance business of America is the amount of premium that goes off their books to foreign countries for reinsurance. Certainly, with the capacity that should be available from the amount of assets of all American companies and foreign companies doing business in the United States, there should be available a market to keep this premium within our own borders. But this takes organization, reconciliation and leadership. Somewhere should come forward this leadership to make this great market available and cohesive for the American public.

Why am I telling you all this? First of all, as part of the insurance industry, you may be able to help in these problems. But mainly because at the present indications the Marine Underwriting Department holds the future of the business in

its hands. Everywhere important buyers of insurance are demanding broader coverage under single policies. Demanding blanket cover, more coverage, deductible insurance, combination coverages, and on and on. The only department under current underwriting practices that can supply this demand is the Marine Department. With your breadth of contract flexibility, your know-how of underwriting, you can meet this demand if you will, and your companies and the Superintendent of insurance will let you.

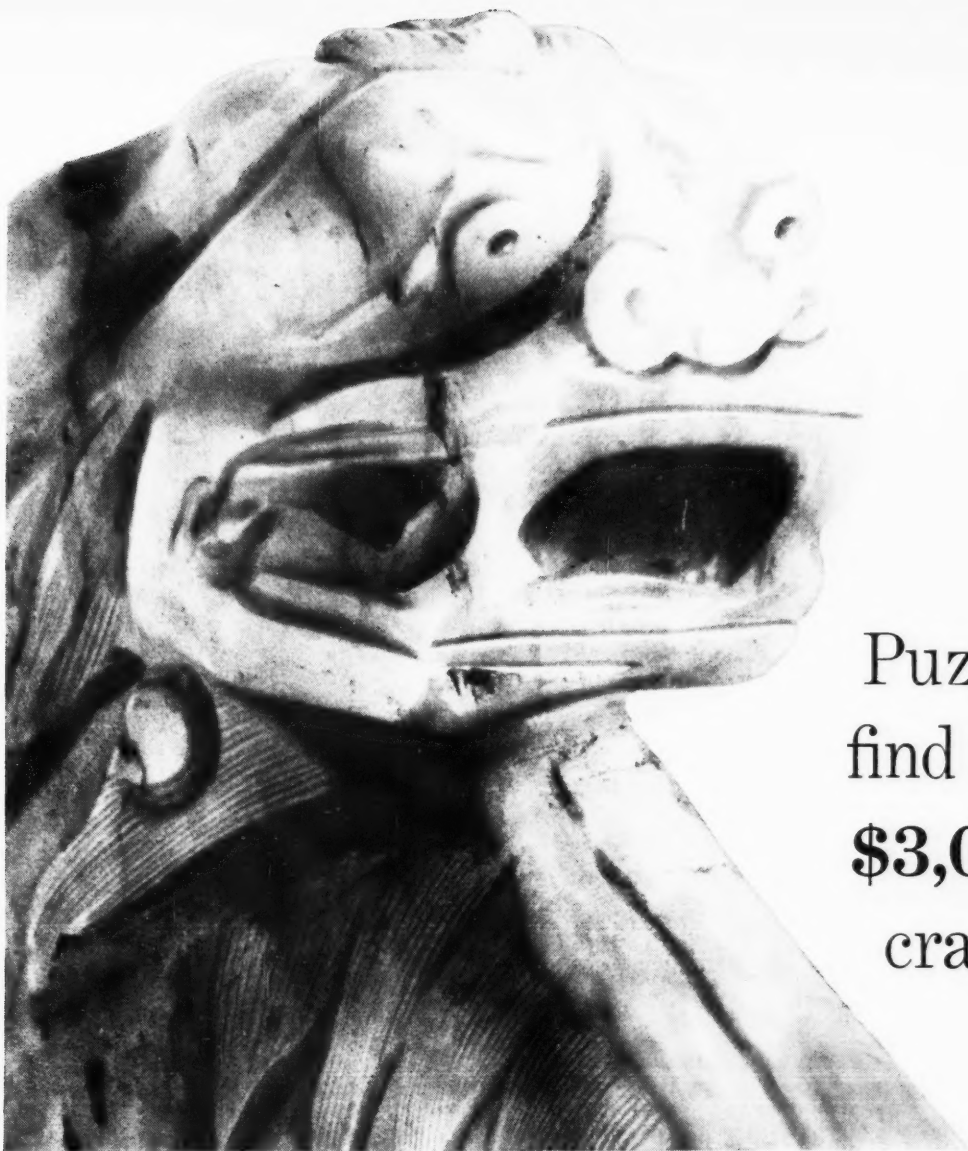
Insurance today is at the crossroads. It must choose between going ahead with the rule and rate book indiscriminate writing of all insurance offered or careful underwriting of selecting the good business only, unless adequate provision is allowed for charging more for the poor risks of a class. One is a road to ruin; the other to profitable operation. Blanket rate increases is not the answer, because this only forces the better risks to competition, leaving only the bad at inadequate rates.

So you see we are in the midst of a revolution in our business. Just how and when the ills will be cured no one can tell, but you can rest assured with out usual American ingenuity they will be solved, and this insurance business will become greater and more glorious. I hope within all of your lifetimes.

T. V. Murphy, of ASIM, Addresses the Binder Club Of Baltimore

T. V. Murphy, Insurance Manager of the Maryland Shipbuilding & Drydock Company, a regional vice president of the American Society of Insurance Management, Inc., a member of the Executive Committee of ASIM, and past-president of Maryland Chapter, ASIM, addressed the Binder Club of Baltimore on February 20th.

Mayor D'Allesandro and former Mayor Howard W. Jackson of Baltimore, the Deputy Insurance Commissioner, the Chief of the Fire Underwriters, members of the Casualty & Compensation Board, as well as a host of other friends, some of whom Mr. Murphy taught insurance, were there.



Puzzle: find the \$3,000 cracks

The American lady, resident in France, was almost frantic as she unpacked.

A three-centuries-old jade carving lay shattered in its case! Back in the U. S. A. it had been insured for \$3,000.

The lady was in tears when she called the local insurance man, American International Underwriters' representative in Paris. He did more than pay a claim. He spent weeks in searching for an expert in the repair of antique jade!

When the work was completed, the owner gasped: "But where are the cracks?" It actually took an ultra-violet lamp to reveal the masterful repairs.

AIU is famous for this kind of attentive service all over the world whether insuring jade, factories, construction, automobiles or any other kind of business or personal property.

AIU policies are written in familiar American terms. Yet, they conform to local laws, conditions and customs. Claims are paid promptly, in the same currency as premiums—including U. S. dollars where local law permits.

A phone call to your regular agent or broker will bring AIU's nearly 40 years of specialized experience to your service.

Offices are listed.

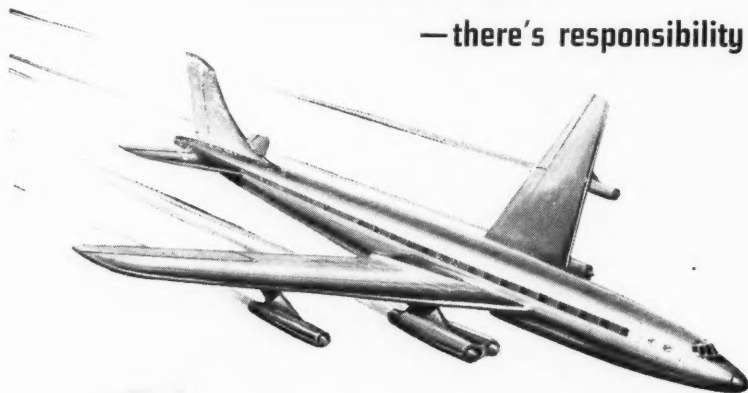


AMERICAN INTERNATIONAL UNDERWRITERS

Boston Chicago Dallas Denver Detroit
Houston Los Angeles Miami New Orleans New York
Portland San Francisco Seattle Tulsa Washington

Where there's flight

—there's responsibility



Insurance service keyed to aviation's most advanced requirements

Faced with unprecedented jet age problems of liability and values at risk, owners of the commercial airlines, industrial aid fleets and private planes are finding their answers in the extraordinary experience and competence of our nation-wide and world-wide organization.

Our coverages ride millions of air miles every year on flights throughout the world. Our experience spans the entire period of aviation. We are equipped to determine your requirements and develop the broadest forms of protection at the lowest possible cost.

As in all Marsh & McLennan programs, our advices and services go beyond the traditional function of broker or agent to include accident prevention engineering, research, loss service and impartial counsel. Your inquiry is invited.



MARSH & McLENNAN

INCORPORATED

Insurance Brokers

CONSULTING ACTUARIES • AVERAGE ADJUSTERS

Chicago New York San Francisco Minneapolis Detroit Los Angeles Boston
Pittsburgh Seattle St. Louis Indianapolis St. Paul Portland Buffalo
Duluth Atlanta New Orleans Tulsa Milwaukee Phoenix Cleveland Norfolk
Washington Montreal Toronto Vancouver Calgary Havana Caracas London

